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Joining European Transport System Key to Prosperity

93CH0151E Prague EKONOM in Czech
5-11 Nov 92 pp 37-39

[Article by Jaromir Slozil, of ZAS, International Forwarders, Ltd., Ostrava: "The Future Lies in Combined Shipping—The Prerequisite for Prosperity Is Our Entry Into the European Transportation System"]

[Text] *The highways of a number of countries throughout the world are overburdened and frequently become limiting factors with respect to additional economic growth. This is no different in Europe, where all realized measures are overshadowed by the Alps, over which more than 20 million tons of goods were transported last year only within Austria. The problems that exist at our border crossing points to Germany are also well known, where trucks sometimes wait for days; but the same is true even in an easterly direction, toward Poland. Perhaps Switzerland is the only country that has succeeded (for the present) in protecting its territory....*

Can We Ship Differently?

Despite all negatives, transportation of freight by road is rapid and flexible and minimizes the need to handle goods. Of course, it also systematically destroys the environment, is extremely noisy and expensive, ruins highways, is energy-intensive, and is subject to a higher accident rate. The developed countries have long since realized that this situation must change as rapidly and as radically as possible. This is contained unequivocally in the so-called Prague Declaration of October of last year, which was adopted at the European Transportation Conference, sponsored by the Commission of the European Community, the European Parliament, and other institutions. According to this declaration, the all-Europe transportation system will be developing on the basis of an integrated transportation concept. "The creation of conditions for combination transportation should serve to partially eliminate the negative influences of highway transportation," says Eng. Jiri Vybiral, deputy director of the Department of Combination Transportation and Equipment at the Federal Ministry of Transportation. "Combination transportation is defined as the shipment of items in the same freight unit, using several types of transportation."

In practice, this means that goods in a cargo truck, a semitrailer, a trailer, an interchangeable superstructure, or a container are transported to the nearest railroad station (highway-railroad combination transportation) or a port (highway-water combination) and, from there, directed to their destination.

The European Agreement

The European Economic Commission of the United Nations last year prepared a European agreement on the most important routes to be used in international combination transportation and related facilities (the AGTC

agreement). According to Eng. Vybiral, the agreement stipulates various priorities with the goal of assuring the efficiency, attractiveness, utilization of direct trains, and improved coordination involved in any further expansion of combination transportation. The priorities include the identification of important railroad routes, terminals, border crossing points, and standards for the infrastructure, and prescribes operating parameters for trains, facilities, and installations.

Our government signed the agreement and, as of October 1992, a resolution of the Government of the CSFR has also approved the "Project for Ecologizing Transportation Through Combination Shipment," which is intended to take care of realizing obligations that devolve on our country as a result of the agreement. The project monitors the creation of the offer of combination shipment by the railroads, the working out of the legislative framework for this transportation, and related circumstances. This involves, for example, the granting of an exemption necessary to establish a statewide corporation for combination highway-railroad shipment, limiting the number of transit permits for transiting vehicles, or raising fees for transit permits. It also involves a certain reduction in the weight of articulated highway trailers, and various prohibitions involving the operation of heavy vehicles at night or on Sundays, apart from vehicles used in combination shipment, or measures designed to make state border crossings for trains used in combination shipment and highway vehicles used in combination transportation easier.

Other Circumstances

In view of our geographic position, we are undoubtedly a transit country. In recent years, the status of our railroad network has contributed to a certain aversion of railroad transit traffic across our Republic, but more trucks began to pass through our state. The situation has been untenable now for a longer period of time; the border crossing points are not adapted to this work load, and the highways are suffering from excess and uncontrolled maximum axle weights. This makes it possible for foreign shippers to "make" three vehicles into two on our territory and allows them to save....

That is why in our country there is a general interest in the railroads. Of course, to position a whole highway unit aboard a flatcar (accompanied combination transportation) means to unnecessarily ship the heavy weight of the tractor with its trailer. This calls for special railroad cars, which must also have wheels with extremely small diameters (Rollende Landstrasse [RO-LA (rolling highway)], which tend to derail more easily. Such cars are expensive, and this mode of transportation is unprofitable for the Czechoslovak State Railroads [CSD]. But even this system is good as a temporary solution for the ecological burden on the principal routes used by highway vehicles.

Far more efficient and promising is the system of unaccompanied combination transportation. This means that

the tractor moves an interchangeable semitrailer, a container, or a highway trailer from the place at which it is loaded to the nearest railroad station. The railroads then transport this unit to its destination, where an appropriate vehicle then transports it to the customer. The system has a number of advantages. For example, the interchangeable semitrailer can be brought to the location of loading at any time and virtually any place, and, while cargo is being loaded and transported by the railroads, the vehicle is not encumbered in any way and can actually be used in other transportation operations. Of course, in our country, this system is "in its infancy" for the time being, and the necessary conditions for it do not exist. Thus far, only the Intrans container shipping system has been expanded, a system that has a provisional technical base at its disposal. This base is made up of 20 transloading points and approximately 20,000 containers, and five transloading points can be considered to be more significant only with difficulty. Moreover, 1991 output declined by 62 percent over 1990 output so that investment capital is lacking and stagnation is setting in.

There Is Interest Here

In Germany and other countries of the EC, combination transportation is always handled by two or three firms of a specific nature. This should be the case in our country as well—for example, through such firms as Ekotrans, CS Eurotrans, Mentrans, or ZAS Ostrava. The CSD set up a forwarding firm under the name of CSD-Railsped. Other corporations have also been activated—Kombiverkehr CS, CS Kombi, and Inter Spedition Decin. All of the above forwarders and shippers are virtually in a start-up stage with respect to their activities.

The development of these types of transportation, however, is hampered by the absolute shortage of suitable rolling stock (for accompanied transportation). With respect to unaccompanied transportation, there is railroad rolling stock as well as a shortage of transloading facilities and cargo-manipulating equipment. The "Project for Ecologizing..." draws attention to the necessity of creating or reconstructing three or four terminals for all types of combination transportation in the first phase. The notions are being studied and verified within the framework of the PHARE [Economic Reconstruction Aid for Poland and Hungary] program.

Domestic Efforts

Significant activity in the area of combination transportation is being developed, for example, by ZAS, Internationale Spedition, Ltd., of Ostrava. Today, thanks to entering the international pool together with an Italian and a German partner, the firm has at its disposal approximately 1,000 interchangeable semitrailers. The general test of the system, which was carried out in the summer at Ostrava, pointed up a number of possibilities. The interchangeable semitrailers are best loaded on Kas/Sgs-type flatcars. There are approximately 3,000 such cars in our Republic, and they require only slight modification (costing approximately 500 korunas per

car). "Our collaboration with the CSD is very good," was confirmed by Eng. Radomir Rusek, who is the firm's agent. Existing findings indicate that the system requires the use of unit trains for combination transportation. Until such times as they are procured, we can make use of the necessary types of flatcars, rented from Germany.

ZAS Ostrava now has approximately 60 employees and ships up to 30,000 tons of cargo per month virtually all over the world. About 80 percent of the shipments move on highways; the remainder goes by rail, but some also moves by water and air. A large part of the shipments is made up of piece goods, and ZAS is cooperating with a number of European shippers. Ostrava is actually the last gathering point for transportation to the east. This fact is promisingly valued, for example, by the German firm of DANZAS, which is thinking about sharing in the construction of a large transloading facility in the Czech Republic.

The Priority of Combination Transportation

ZAS also sees great opportunities and a great future in combination transportation, particularly in unaccompanied transportation. Eng. Vit Navrat, who handles these questions at ZAS, has brought back an adequate amount of experience from a study sojourn in Munich: "In Germany, combination transportation has the full support of the government. In solving the further development of transportation, it is necessary to take into account that containers, for example, can be stacked four high; of course, an interchangeable semitrailer is again manipulable within the highway transportation without having to use manipulating devices."

ZAS intends to use combination transportation to Italy in the immediate future. Highway shippers do not have a sufficient number of permits to ship to that country, so that freight is shipped to the terminal in Munich and, from there, travels by train to Italy. For the time being, this is not possible via Austria because our trucks can also not reach Vienna without permits. And there continue to be fewer permits.... Of course, certain problems are looming in the future if unit trains are to be used—for example, how to make sure that several shippers are interested in shipping to a given country on a given day. But, after the implementation of stricter measures aimed against truck transportation in a number of European countries, the situation will obviously change expressly. For the time being, for example, highway transportation to Austria and Italy is relatively expensive; shipment to Germany is substantially cheaper.

Lest We "Miss the Train..."

The railroads, with their well-known problems and their missing billions of capital, will obviously not be able to equip themselves in the near future with the necessary rolling stock for combination transportation. The Moravian-Silesian Railroad Car Plant at Studenka produces them—for foreign customers. But we cannot stand aside

from world and European events. Together with forwarding organizations, the CSD, at the earliest opportunity, must find such opportunities and methods for this effective type of transportation, which will, at the very least, be comparable with conditions for highway transportation, particularly in terms of pricing conditions. For the time being, shippers find highway transportation to be more advantageous for a number of reasons—whether for reasons of price, speed, or cargo protection. But the ecological aspects must predominate as soon as possible, which would result in combined transportation getting the green light.

The above-mentioned circumstances are also taken into consideration by the law on the highway tax, which becomes effective on 1 January 1993. For shippers who utilize combination transportation, the law provides for

a system of possible tax reductions. Proof will be in the form of the shipping document, confirmed by the railroad administration or the maritime directorate. Taxpayers have the opportunity of obtaining tax relief according to the number of trips; if they make more than 120 trips via combination transportation per year, they can even be relieved of the tax completely. This is undoubtedly tempting and should orient and stimulate shippers precisely to use this type of transportation, which, for now, is the most ecologically friendly.

Quite a few additional opportunities also loom following the opening of the final sector of the Danube-Rhine River waterway in Germany. For the time being, the cost of combination transportation by rail is still relatively high in our country, but, after the introduction of the highway tax, it is possible to contemplate that it will be fully competitive.

European Corporations Joined Together in the International Union of Highway-Railroad Combination Transportation (UIRR) Are Achieving the Following Shares in the Individual Systems of Combined Transportation

Corporation	Type of Transportation	Percent of Share in Total Shipments		
		Highway Trailers	Interchangeable Semitrailers	RO-LA
Kombiverkehr	International	15	48	37
	Domestic	17	73	10
Novatrans	International	46	54	—
	Domestic	19	81	—
Cemac	International	25	58	17
	Domestic	20	80	—
Trailstar	International	33	67	—
	Domestic	—	—	—
TRW	International	34	66	—
	Domestic	30	70	—
Kombi-Dan	International	2	98	—
	Domestic	10	90	—
Oekombi	International	12	26	62
	Domestic	3	97	—
Hupac	International	25	50	25
	Domestic	19	13	68
UIRR total	International	23	50	27
	Domestic	17	76	7

The dominant position occupied by interchangeable semitrailers is obvious and should provide an impetus for their expansion, even under our conditions.

Investment Funds Failing To Act as Stockholders

93CH0151D Prague ZEMEDELSKE NOVINY
in Czech 10 Nov 92 p 4

[Interview with Eng. Jan Princ, deputy chairman of the Fund of National Property, by Dagmar Sistkova; place and date not given: "The Property of State Enterprises on the Move"]

[Text] Investment privatization funds are to become owners of stockholder rights but do not feel like stockholders.

[Sistkova] At the conclusion of the third round of coupon privatization, the decision was already made that the Fund of National Property would entrust the execution of stockholder rights to representatives of Investment Privatization Funds [IPF] in the case of corporations whose securities had been sold. This measure became the subject of criticism, which claimed that this was a purely administrative step. And this was one of the reasons I asked the deputy chairman of the Fund of National Property, Eng. Jan Princ, what this measure involves.

[Princ] The government decree on the use of coupons in coupon privatization states that the Center for Coupon Privatization will, one month after the conclusion of a privatization wave, provide the corporations with the names of stockholders and the number of shares they have acquired. We have this information on a current basis following the conclusion of the individual rounds so that we can utilize it, much like we can make use of the fact that some corporations have already been totally sold off. In view of the fact that a law on securities still does not exist, we do not have the securities in hand. The law on securities stipulates the method by which stockholders shall receive securities upon termination of the first privatization wave. If we assume that 72 percent of all investment points will be realized through Investment Privatization Funds, the overwhelming portion of stockholder rights will be exercised for the owners of investment coupons by Investment Privatization Funds. We also wish to make use of the provision under which the Fund of National Property may entrust any private individual or legal entity to exercise the rights of a stockholder for it. We have already made use of this right in some cases—specifically, in the case of Czechoslovak Airlines or the Czech Energy Enterprises, where we entrusted the exercise of stockholder rights to the minister for economic policy and development of the Czech Republic, Karel Dyba. We wish to do precisely the same with those corporations in which more than 67 percent of the securities have been sold (in relationship to the total volume of the property) to Investment Privatization Funds. This means that, when the first wave of privatization comes to an end, Investment Privatization Funds will be stockholders with a qualified two-thirds majority. We therefore want to entrust one of these funds to take over the exercise of stockholder rights for the Fund of National Property. For information purposes only, I would add that there are approximately 400 such funds, and each of them acquired a certain quantity of securities from corporations that were entered in the first wave of coupon privatization. The boards of directors of these corporations were entrusted by us by letter to convene a consulting conference of privatization funds and come to an agreement on which one of them would represent the others. That fund will then be entrusted by us to exercise ownership rights. Perhaps this looks like an administrative matter, but, if we had to consult with all of the funds at each general assembly before the actual owners assumed the rights of ownership—that is, with all the funds that are involved in property participation—we would actually be holding two general assemblies. One would be a kind of "pseudo general assembly" involving Investment Privatization Funds and, only following the decision by the funds, would we then convene the regular general assembly. We have the feeling that representatives of Investment Privatization Funds are already able to guide the actions of boards of directors of corporations because it is precisely the IPF that will, upon conclusion of the privatization wave, be exercising the rights of stockholders. The problem is only that the IPF should come to a definite agreement among themselves—that is, they should agree on the one IPF they select that will actually represent them. They should also elect a certain form—namely, that they would

organize those "pseudo general assemblies" at their own expense. There are 95 of us, and we are tasked with caring for more than 1,100 corporations. We are thus not capable, either technically or physically, to master such procedures. For the time being, we have a problem in convening at least the first general assemblies in all of the 947 corporations offered up in the first wave of coupon privatization, corporations in which we are specifically identifying property and augmenting management organizations. We had established corporations according to an actualized privatization project, although three months passed from the moment the actualized project was approved and the corporation was established, so that some property was on the move. We must, thus, complete the registration of property so that it will agree with what was deposited in the corporation on the day it was established. That is the first job. The second involves some changes in management organs, primarily in oversight councils, because the staffing was not complete. There are also changes in statutes that restrict some stockholder rights. In the case of corporations involved in balneological care, one of the conditions is that a stockholder with a certain number of shares and enjoying special rights has the right to exercise a veto in the event the spa buildings were not utilized for the stipulated purpose (for example, the treatment of children with respiratory diseases). It is precisely for this reason that the Fund of National Property is holding a certain number of shares to which these special rights are tied (golden shares). These shares will be administered for the Fund of National Property by the Ministry of Health, and this will ensure that a corporation in chasing after profits will not dismantle these rights. In many instances, other restrictions are involved—in the area of armaments programs, for example. In every case, however, the object is to preserve a certain interest on the part of the state that is not always compatible with the interest of stockholders. We want to bring these general assemblies to a conclusion by November.

[Sistkova] What other opportunities are inherent in the exercise of stockholder rights by those Investment Privatization Funds who represent actual owners?

[Princ] By using standard statutes, we have limited the rights to handle property—in other words, its sale, its rental, and the influx of foreign capital. In view of the fact that, in offering coupon privatization, we have declared that 97 percent of the property will be purchased by Czech stockholders, there are some changes involving even approved privatization projects. These are cases in which representatives of a corporation came forward during the course of coupon privatization and stated that they had a foreign partner who would like to deposit some capital in the corporation. In this case, however, future relationships between stockholders are changed. Where we know the future real stockholders, it is possible to approve such a step at the general assembly. And by having the future owners begin to exercise stockholder rights in our behalf, we speed up all decisionmaking. A solution by way of changing a privatization project is relatively lengthy. A corporation must

request approval first from us; we then ask the Ministry for Privatization, and all of that takes at least a month. It is only after that development that we inform the board of directors that the Fund of National Property, as the sole stockholder, agrees with bringing in a foreign partner. However, if the real owners are known, they can make such a decision themselves, for themselves.

[Sistkova] Have you already had some indications that the funds have met and have come to an agreement regarding which fund will represent them?

[Princ] We do have certain indications already, even though this move took place in an unorganized manner. We have turned to the boards of directors of corporations, where the above-described situation ensued following the third round, and have asked them to convene a consultation meeting of investment funds and to agree on which one will represent them. The Fund of National Property will then task this fund with exercising the rights of a stockholder. However, it is necessary to add that this will occur with certain limitations. Our representatives will not be able to decide, for example, to disestablish a corporation or to divide the results of operations for 1992 (this is also one of the duties of the Fund of National Property).

[Sistkova] In other words, they can approve the influx of foreign capital?

[Princ] Certainly, there is no danger that this decision would be judged negatively by the future owners. We asked that the individual who represents the known future owners exercise stockholder rights for us. Those funds that have acquired more than 67 percent of property shares represent a qualified majority that can even decide to change the statutes, and it is precisely within the statutes that such substantive items as the handling of property, the establishment of joint ventures, the influx of foreign capital, long-term rentals, and so forth are contained.

[Sistkova] Are you satisfied with the course of privatization thus far?

[Princ] If I look at the privatization process, it is divided into two parts, which are related. On the one hand, this involves the processing of privatization projects, but also the process of evaluating them by the founding ministries and handing them over to the Ministry for Privatization for approval. The Fund of National Property is an institution that is supposed to realize privatization projects—that is, to transfer state property to new entities. Together with the ministry, we are thus seeking ways to speed up this realization. We primarily negotiate with the Ministry for Privatization regarding the placement of emphasis in approving privatization projects upon that which appears to be a problem—and that is the identification of property relationships. In a number of cases, we deposit property into the holdings of a corporation that belongs to the community. No wonder some land register books have not been brought up-to-date. The question of public competition is also a problem. Organizing them is relatively

difficult, and the results are the subject of criticism because decisions are made in a commission behind closed doors. For this reason, we favor more transparent methods: public auctions or direct sales. Personally, I think the fact that the entire process is not progressing as rapidly as we imagined is to the detriment of the entire process, and there are cases in which the participant in a public competition makes an offer that is aimed at property being offered in an updated privatization project, but, when it comes to signing the contract and taking over the property, the buyer finds out that the property has a somewhat different value than was listed in the privatization project. Either because of the original management or when the enterprise was being broken up, there was a certain movement of property, and now its value is different. Many of those acquiring property present proof, for example, that part of the installation has been hauled away, that bare wires are protruding from walls, and so forth. We are thus in a situation in which we are selling according to the privatization project. Nevertheless, we do not have the opportunity to verify everything and take care of everything to permit the director or the deputy to transfer the property in behalf of the fund. And it was precisely the director who was responsible for that piece of state property and should therefore hand it over. Some cases will also be handled by organs active in criminal areas and our auditing organs. In many instances, it will be extremely complicated to untangle those balls of yarn that came into being after privatization. Within the framework of established corporations, other corporations with limited liability have come into being, in which former managements are represented and in which the movement of property was not 100-percent clean. We also lack legislation, and cooperation with the founding ministries is not always the best. And sometimes accounting records are not even in order. The longer the process is drawn out, the more complicated everything will become. We requested Minister Skalicky to see to it that the second wave of privatization does not experience the situation that beset the first wave, when we had to establish corporations on a priority basis for the first wave by removing property from state enterprises and depositing it into corporations. It is only now that we are taking over additional portions of property and are realizing so-called standard privatization methods—direct sales, cost-free transfers, and so forth. We want the procedure to be reversed for the second wave of privatization. We would like to first sell the property base according to standard methods and then make the remainder available for coupon privatization.

Expected Price Reaction to Indirect Tax Reform

93CH0151B Prague EKONOM in Czech
6-12 Nov 92 pp 16-17

[Article by Docent Eng. Josef Mervart, candidate of sciences: "How Will Prices React to the Reform of Indirect Taxes?"]

[Text] By converting the sales tax into a value-added tax (VAT) and introducing consumer taxes on selected products, our indirect taxes will be approaching the design of

such taxes as they exist in the countries of the European Community as of 1 January 1993, which creates one of the prerequisites for the gradual attachment of the Czech Republic and the Slovak Republic into this integrated grouping. The introduction of the VAT is motivated by not only this intention but also the numerous advantages this type of tax enjoys over the existing type of sales tax, collected at the last stage of goods circulation before retail sales. (The legal aspects of the VAT were reported in EKONOM in Supplement No. 29/1992, and its interpretation was part of a serial on new taxes that was published in the weekly EKONOM this year.) In addition to these advantages, the introduction of the VAT is accompanied by greater demands for asserting the tax with both taxpayers and financial organizations and, thus, also raises the question of whether and how the changes of indirectly taxed goods and services will show up in the pricing area.

A study done by the International Monetary Fund and aimed at determining the measure of change in consumer prices three months before and three months after introduction of the VAT indicates that consumer prices in countries of the EC increased in the period listed within a range of 1.5 percent (FRG) through 8 percent (Denmark), but that the introduction of the VAT accounted for only 0.6 percent of that increase in the FRG and 4 percent in Denmark. In the FRG, the VAT was introduced in two levels—7 percent and 14 percent (this year, it was increased to 15 percent); in Denmark, a uniform rate of 22 percent was applied. France introduced the largest number of VAT rates (six), and, in France, in the period under consideration, consumer prices rose by 2.1 percent, but by only 1 percent as a result of the introduction of the VAT. The study thus demonstrates that, introducing the VAT in the EC basically did not have any inflationary effects; at the same time, it showed that introduction of the VAT influences the development of prices in conjunction with the number of changed taxation rates. That is why the price influence of the VAT was more intensive in Denmark after the number of tax rates were reduced to a uniform rate, but this rate, at the same time, safeguarded the principle of price neutrality of the tax—that is, it eliminated its influence on prices.

Within the EC, a system of two VAT rates predominates, accompanied by the recommendation that the standard rate be stabilized within the range of 15 through 19 percent (on exception, also at 0 percent). The legal modification of the VAT in our country also establishes two tax rates, a standard rate at 23 percent and a reduced rate at 5 percent (mainly for products that were hitherto subject to a 0-percent tax rate, for sales taxes, and for the majority of services). The higher standard tax rate was elected in view of the necessity to safeguard the necessary fiscal yield of the tax.

The Price-Forming Effects of Taxes

The existing sales tax, valid in the CSFR until 31 December 1991, contains four rates that were modified, as of May 1991, to levels of 0 percent, 11 percent, 20

percent, and 29 percent—of course, with a few exceptions of higher rates set for hydrocarbon fuels, beer, wine, and mead products, alcoholic beverages, tobacco products, tea, coffee, and refined metals and products made from them (including jewelry). After the introduction of the VAT, the first five of these special items will be subject to the consumer tax and, as of September of this year, the Federal Ministry of Finance increased the existing valid rates¹ for these products so that their taxes would approach the level of their taxation after the introduction of consumer taxes and the VAT.²

The introduction of consumer taxes and the VAT will thus change the measure of taxing the majority of products and services delivered to the market that are currently subject to the sales tax. It is possible to determine the price-creating effect of these taxation changes with the aid of special-purpose computations of tax burdens on goods and services before and following the tax reform, as follows:

A. For a Certain Volume and Structure (Sectorwide, Branchwide, or Other) of Deliveries to Market Funds

In the Central Institute of National Economic Research (UUNV), such computations were made this year and the results published in two articles (J. Mervart, M. Vavrejnova: "Computations of Fiscal and Price Changes Following the Introduction of New Types of Indirect Taxes," VP, No. 47, UUNV, 1992, and supplements to this article, published independently). In view of the fact that these computations were accomplished before the increase in the sales tax rate in September 1992 affecting the previously mentioned five product groups, they failed to capture the slight increase in the consumer price of beer, wine, mead products, and alcoholic beverages, and the somewhat higher increase of prices of tobacco products (the price of gasoline is currently subsidized and has therefore not changed)—but the end results were not substantially influenced.

The results shows the following development of price indexes after replacement of the sales tax by consumer taxes and the VAT:

Item	Percentage
Foodstuffs, including public catering	+ 2.2
Industrial goods	+ 6.1
Services	+ 5.6
Total of goods and services	+ 5.6

The computed price indexes are only orientational in their significance; they do not represent a prognosis of market price development. Their different development with regard to the principal items involved was influenced by several factors:

In the case of foodstuffs, the increase in the price index was brought about by introduction of a 5-percent VAT rate levied on products that had hitherto been subject to

a zero-sales-tax rate, but the increase was mitigated as a result of the lowering of the high sales tax rate on some items (coffee, tea, gustatory items, and so forth—see below) and on imported foods.

In the case of industrial goods, the VAT will be imposed at a standard rate of 23 percent, which is higher than the existing sales tax of 11 percent and 20 percent, but lower than the 29-percent rate that had been applied to a limited set of products (see Point 2). The result is a more express increase in the price index.

In the case of services, the increase in the price index was influenced by the inclusion of commercially rendered services under the VAT, at a rate of 5 percent, and of selected repair and maintenance services performed on machines, installations, and consumer goods, as well as commercial technical and other services (for example, freight transportation, travel), which were subjected to a 23-percent VAT rate (the sales tax rate had been 11 percent).

B. For Deliveries of Individual Types of Goods and Services for Which the Existing Sales Tax Rate Is Substantially Different From the VAT (or Possibly From Consumer Taxes)

As for the existing sales tax, some items were subjected to expressly higher rates than will be the standard VAT rate—specifically, coffee and tea (50 percent); refined metals, including products made of them, their scrap, and remainders (40 percent); compounds and oxides of precious metals and precious metal preparations (40 percent); goldsmithing and jewelry products (40 percent); artistic products made from refined metals (40 percent); products and reproductions of popular artistic products made of platinum (40 percent); and semifinished products used in the production of tobacco products (81 percent). With respect to these products, one can thus anticipate a lower pressure exerted by the imposition of taxes upon the development of consumer prices, something that brings about a tendency toward stagnation ranging through a price decline (with unchanged market conditions).

This is also true, with lowered intensity, for products burdened with a sales tax rate of 29 percent. This group includes photochemical products, cleaning products, polishing agents, canning products, cosmetic products, products made of beeswax, asbestos, flooring materials, inner tubes and automobile tires, lighting fixtures, parts for trailers and automobiles, delivery vans and special vehicles, technical entertainment devices, heating and cooking devices, electric appliances, including refrigerators, hunting weapons, sporting weapons, and special-purpose weapons, pyrotechnical products, fittings, and metal packaging, cutlery products and kitchen-aid devices, costume jewelry, cotton and cotton products (except for hand towels and bath towels), silk and linen products, and other fabrics and textiles, including clothing (except for medical and health-care clothing), underwear, and bed linen, fur skins, furs, and fur products, special polygraphic products

and carbon-reproduction products, pearls and pearl products, wine yeast, crackers, intermediate candy products, broths, gustatory products, and baking additives (the listing was simplified).

Consumer taxes enter the basis for computing the VAT in the case of five items (hydrocarbon fuels, beer, wine and mead products, alcoholic beverages, and tobacco products) where the cumulative tax burden thus expressly exceeds the 23-percent standard VAT rate. However, if we take the high sales tax level for these items into account³—a tax that was increased as recently as September 1992—we arrive at the conclusion that, in the case of these items, the tax reform will not result in any excess price pressure, a pressure that could result from other causes for some products (particularly for automotive fuels). These reasons include mainly the subsidizing surcharge made from the reserve fund, representing an amount between 1,880 korunas [Kcs] and Kcs1,980 per ton (depending on the type of gasoline), and the differentiation in the price of gasoline from various sources (Slovenská, Kralupy, imports).

The Influence of Other Price-Forming Factors

In the beginning, it was emphasized that the results of the described computations reveal changes in the tax burden affecting various types (groups) of goods and services but do not take into account the specific situation in the market of these types of goods and services—that is, the influence of additional price-forming factors (of which some were indicated, for example, in the case of gasoline) and, particularly, the development of the relationship between supply and demand.

If a certain revitalization of aggregate demand this year were to increase next year, and if the favorable development of the balance of payments were to create suitable conditions for the growing interconnection of the domestic market with the foreign market, it is possible to anticipate that a tendency toward a more express approach between price relationships in our domestic market and relationships of prices abroad may occur. If we compare the relatively rapid pace of the principal groups of consumer prices over the period of the transformation that has hitherto taken place, we find that price relationships that were established in the previous central system have, for the time being, not undergone particularly specific changes. Given the price base of January 1989 being equal to 100, the indexes for the main groups of consumer prices had achieved the following values by the end of June 1992: foodstuffs, 170.2; nonfood goods, 207.4; public catering, 184.5; services, 191.7; and the cumulative index, 189.7.

Compared to developed market economies, relatively higher prices of foods are continuing to prevail in relationship to average monthly earnings in our country. The most rapid development was experienced by the group of nonfood products (influenced in Western economies by stagnation, ranging through a price decline in electronics), and relatively slower development was

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recorded by public catering prices, particularly services, including important items such as rentals and payments for delivery of electric energy, gas, water, and so forth. In these areas, it would thus be necessary to search out the principal impulses affecting the development of consumer prices and their relationships in our economy in working out prognoses for further development affecting consumer prices.

Footnotes

1. The rates are established not as a percentage of the price, but as a firm amount payable for a given quantity of product.

2. After the tax reform, these products will first be subject to the consumer tax, which will be added to the tax base for purposes of computing the VAT. The computation of taxes can therefore be shown as follows: producer price + commercial span + consumer tax + VAT = consumer price (the computation is intended to determine the consumer price and not to capture the course of tax payments and deductions).

3. The rate is determined by a specific amount per unit of quantity—that is, a ton, a hectoliter, the number of units produced, and so forth—and is so high that the yield of the sales tax for these five items represented approximately 60 percent of the total yield of the sales tax in 1991.

Prosecution of Communist Crimes Discussed

Opposition Views

93CH0117A Budapest KOZTARSASAG in Hungarian
6 Nov 92 pp 9-10

[Unattributed article: "Parliament: The Past Must Be Permanently Litigated Out of Existence"]

[Excerpt] [Passage omitted]

Doing Justice—Again

The National Assembly has placed on its agenda as urgent business two legislative proposals introduced by Zsolt Zetenyi (MDF [Hungarian Democratic Forum]), supported by 103 representatives. One of these calls on the National Assembly to adopt a statement of principle concerning the interpretation of the expiration of the statute of limitations, while the other would amend criminal procedural rules, and would make it possible to find the leaders of the previous system guilty and to punish them in certain instances. This is done because, in the view of the bills' sponsors, the prosecution of criminal acts must not hinge on the passage of time; doing justice is an extremely important task from the nation's standpoint. There will be no acquiescence and no peace in society until this constitutional duty is performed, according to Zsolt Zetenyi. The MDF representative hopes that as a result of adopting this law it will no longer be possible to refuse the investigation of a crime because the statute of limitations had expired. Only a court could decide whether criminal acts have lapsed.

We asked Dr. Matyas Eorsi (SZDSZ [Alliance of Free Democrats]) and Rezso Nyers (MSZP [Hungarian Socialist Party]) to comment on the legislative proposal.

"The previous legislative proposal was clearly unconstitutional—and we called attention to this fact—while the same could not be said about the present proposal," Matyas Eorsi replied. "It is consistent with the Constitution, but our experts are going to subject the proposal to a thorough examination. Prevailing sentiments concerning criminal acts left unpunished are obviously justified; at the same time, however, I am convinced that an overwhelming majority of the people are not concerned with this issue. They are much more interested in the standard of living, the results we produce in the economy, our freedom, and the extent to which we are able to create appropriate conditions for the future generation. Therefore I think that it is more important for us to deal with social policies and to make rules of competition more clear-cut. Accordingly, we should provide for our future, not for our past."

"The other concern I have is that Zetenyi's legislative proposal imposes an extraordinary large burden on organs charged with the prosecution of crime. The legislative proposal states that investigations cannot be refused on grounds that the statute of limitations has expired, that complaints must be filed, and that the courts must declare

that a crime has lapsed under the statute of limitations. The bill's sponsors know very well that this is what the courts are going to do, nevertheless they want to push through this procedure. The police, the prosecutors and the courts are already overburdened, and they do not have enough energy to pursue crimes committed today, and to abide by the appropriate procedure. If all these new functions are assigned to them, they will spend much more time dealing with the crimes of the long past, than with those of today. The end result of all this is going to be a pro forma completion of a few proceedings, and these are going to suffice to whip up passions to the highest possible point, but results will not be produced, while the murderers of yesterday and the day before will be walking free, because there will be no one to prosecute the crimes they have committed. This is why I believe that we should think twice before supporting this legislative proposal. Both the previous and the present legislative proposals convey a rather noteworthy message for the future: One cannot commit grave crimes regardless of the extent to which such crimes enjoy political support, because reprisal under criminal law follows as soon as political support ceases. I agree with this, but I believe that the SZDSZ's response to this issue is much more appropriate. We have proposed an amendment to the Criminal Code of Laws, the essence of which is that in the future, the statute of limitations is not going to lapse regarding the gravest of crimes. This solution is constitutional, it does not burden the courts, and it does not divert energies from the performance of current tasks."

"I am not entirely clear insofar as the legal aspects of this issue are concerned, I did not have a chance to study the legislative proposal, but even if I did, I am no expert," Rezso Nyers (MSZP) said. "I can only state my political view. In my view, this legislative proposal is forced, and it does not reflect an appropriate interpretation of the constitution. Although the present proposal is somewhat different, it is based on the same principle as the one that had once already been rejected. Under no circumstance is it based on a valid interpretation of the constitution, it is based on a unique interpretation of the constitution. On top, it would revive memories of the historical past that would be important for us to transcend from the standpoint of national acquiescence; as a result of the threat presented by not having any limitations, it could revive past conflicts and disputes requiring a historian's objectivity in order to be truly just, and not political action fueled by political passions." [passage omitted]

Justice Minister Comments

93CH0117B Budapest HETI VILLAGGAZDASAG
in Hungarian 7 Nov 92 pp 15-16

[Unattributed article: "Doing Justice by the Government"]

[Text] "We would like to see proceedings," Justice Minister Istvan Balsai declared at the ministry's Tuesday press conference, providing details about the government's legislative proposal designed to do justice (HETI

VILAGGAZDASAG, 31 October 1992). According to the minister, the proposal summarizes only those criminal provisions which, in the Justice Ministry's view, had been in force as of 1956 but which are difficult to access at present. Accordingly, the proposal would not create an ex post facto law. Istvan Balsai criticized the prosecutor's office at the press conference because in his view some of the crimes committed in 1956 had been war crimes which did not lapse under the statute of limitations; one need not wait for a complaint before prosecuting these crimes. He made special mention of the supreme prosecutor's response given to parliament in March 1991, in which Kalman Gyorgyi said that the crime involved in the volleys fired in 1956 had lapsed: "The response by the supreme prosecutor was unfounded," Balsai said. (In addition, Balsai regarded the constitutional issue implicit in the present independence of the prosecutor's office from the government as an "issue that had not been settled.") From among the possible defendants the minister pointed out those who "called in" the Soviet troops, who fired the volleys, and those involved in the post-1956 reprisals. Although he did not mention figures, he said that he expected "a relatively small number of cases." As proposed by the government, these cases would be under the exclusive authority of the investigative office of the Budapest Chief Prosecutor's Office, and the Budapest Court would have jurisdiction. Punishments would range from five years to life in prison.

Plans for Restoring Nagymaros Dam Site Revealed

93CH0048B Budapest UJ MAGYARORSZAG
in Hungarian 3 Oct 92 p 7

[Unattributed article: "Government Approves Restoration Plan: 'Nagymaros Adventure' Will Cost 10 Billion Forints"]

[Text] The government has approved a plan to restore the Nagymaros area. If the National Assembly assents to the plan and the budget, the restoration work might begin in the spring and could conceivably be finished by the end of 1995. It is estimated that total restoration will cost 7,446 billion forints [Ft], it was emphasized at a press conference Friday by a government spokesman who reviewed the decisions made by the ministerial cabinet on Thursday.

Reviewing the restoration program, Zsolt Rajkai, state secretary at the Ministry of Transportation, Telecommunications, and Water Management, said that two variations had been worked out and that the plan suggesting faster work was the cheaper solution. The variations differ in schedule. The goal of each is to finish restoring the channel and navigation route, fill in the trench, sculpture the terrain, cultivate the plants, and modernize the undeveloped Highway 11.

The government assigns investments on the basis of bids. It is estimated that the indispensable groundwork

needed by next year will cost Ft1.4 billion. Two hundred million of this goes into demolishing the cofferdam and filling in the trench. Last year, by the way, the government devoted Ft300 million to maintenance alone. The state secretary said in response to a question that the power station, starting with construction in 1977 and including restoration that takes until 1995, will probably cost the Hungarian state Ft10 billion. Zsolt Rajkai also said that if the Slovaks decide on starting up the power plant, there will be no problem with dismantling the Nagymaros cofferdam unless they run it at full capacity. If they do run it at full capacity, however, there will be a descending mass of water that will require third-degree flood preparations. This would present such a danger to both sides, however, that it makes it unlikely the Slovak side would decide in favor of running at full capacity. In the power station matter, the government assigned the Economic Cabinet to examine what investments can be made from the surplus budget fund.

The cabinet approved the bill for a National Deposit Safety Fund. The plan calls for introduction of a new and compulsory deposit safety system on the basis of which, in comparison with the present system, a broader circle of depositors receives significant protection if a bank becomes insolvent. According to the proposal, the state guarantee would remain in effect, without expiration, for deposits made by people before the end of the year. For deposits made starting in January of next year, however, the new fund would offer broad security, that is, it would grant compensation for up to Ft1 million.

In another decision, the ministers established a Hungarian steering committee for the UN's International Conference on Demography and Development to be held in 1994.

Draft of Defense Principles, Functions Published

93CH0119A Budapest MAGYAR HONVED
in Hungarian 6 Nov 92 pp 25-28

[Draft of "The Basic Principles and Chief Functions of the National Defense of the Hungarian Republic"]

[Text] Within the broadly perceived framework of security policy, and consistent with its principles and goals, "The Basic Principles and Chief Functions of the National Defense of the Hungarian Republic" defines the basic principles and goals of defense policy designed to provide for the country's defense. Consistent with the changed international circumstances, and responsive to future threats to the country, the document outlines the defense policy strategy, the defense systems that include military and nonmilitary organizations, requirements applicable to the armed forces, and the chief tasks related to the deployment, development, preparation, and supply of the armed forces.

The Basic Principles and Goals of Defense Policy

Defense policy expresses the public will to maintain national defense capabilities, and defines the related

governmental activity. By establishing and operating an institutional system that embodies the defense potential, the policy contributes within its own peculiar sphere, and with its means, to the prevention and warding off of armed conflicts and other danger threatening the country and the populace.

In recent decades of our history national defense considerations were dictated by external constraints established by a great power and by dependence on a bloc. Recent favorable changes in the international situation enable us and uncertainty factors and security risks implicit in the new situation require us to define an independent defense policy based on national foundations.

Hungary is counting on the fact that even after ending the political and military opposition of hostile blocs on the European continent, confidence and a new order of cooperation among states and peoples that firmly guarantees the security of every country can evolve only after an extended period of time. We are experiencing a conflict-laden, uncertain period of transition. Not a single state, thus not even Hungary, can surrender its potential for armed defense, consistent with the UN Charter.

Our national defense policy has a defensive character. Aside from defending the independence, sovereignty and territorial inviolability of the Hungarian Republic, and aside from obligations defined in the UN Charter, the policy establishes no other goal to be achieved by military force.

It flows from the defensive character of our national defense policy that we do not regard any country as our enemy, and that we do not have a preconceived enemy image.

Hungary takes into consideration the just security interests of its neighbors. It does not intend to take military steps that could threaten its neighbors.

Hungary professes that military force is not the sole guarantee for the security and the undisturbed development of states. It regards the armed forces as a means of last resort to defend the country, if the country is the subject of armed aggression.

Hungary is doing everything it can not to become part of military conflicts between other countries or groups of countries, not to permit the launching of aggression from its territory or airspace against other countries, and not to become the staging area or supply route for aggression by the armed forces of an alien power.

The country's armed forces do not have, and will not have in the future, weapons of mass destruction, and the National Assembly and the government do not concur with alien powers in their desire to deploy such weapons within Hungary's territory or airspace.

In maintaining appropriate defense capabilities, Hungary relies fundamentally on its own strength, on the capabilities and determination of its own defense forces, and on the support of, and willingness to sacrifice by its

citizens. Hungary regards national defense as a national issue that transcend partisan interests.

Not notwithstanding all the above, the country's geographical situation, sources of strength, and developmental level do not permit Hungary to adopt the alternative of armed neutrality. In the longer term, Hungary can hope to obtain firm guarantees for the country's security only within the institutional framework of multilateral cooperation, and as a result of strong political, economic and military alliances with states pursuing similar goals.

By providing for the country's security and defense, the sovereign national defense policy based on national considerations plays an important stabilizing role. Active participation in ending uncertainty, in neutralizing threats, and in liquidating the sources of threats contribute to the maintenance of peace, to the avoidance of armed conflicts and war, and to the undisturbed internal development of the country. In doing so, Hungary paves the way to a partnership and integration that serves not only Hungary's uplift, but also the rise of the entire Central and East European region.

Factors Threatening the Security of the Hungarian Republic

Thanks to the termination of the Warsaw Treaty, the disintegration of the Soviet Union, and progress made in the European security and cooperation process, the likelihood of an all-out war between states has been reduced on our continent. At the same time, unstable economic and social conditions, contradictions presented by the transition to democracy, and reemerging ethnic-national-nationality disputes increase the present likelihood of predictable conflicts, and preparations must be made to prevent and to ward off such conflicts.

Internal conflicts and civil war erupting in our neighborhood, as a result of which armed groups—pursued, escaping, regrouping—would cross over into Hungarian territory, or would present provocations to Hungary, could also mean threats of a military character.

A belligerent party could attempt to use Hungary's territory and airspace for combat activities against a third country. In this context violent actions against Hungary's transportation, energy, and communications systems would be conceivable.

Nor can we rule out the possibility of the future rise of political forces in our region which try to settle their differences with Hungary by exerting pressure, making threats, or initiating military action, instead of pursuing the political and diplomatic paths.

All these security risks are augmented by threats of an economic nature: the economic vulnerability of the country, the greater than average export and import dependence, and Hungary's energy dependence.

One also has to count on ecological emergencies and situations that create emergencies in the framework of

our civilization, irrespective of whether these are free-standing emergencies or if they occur in the above contexts. Such emergencies could become particularly acute due to Hungary's relatively unfavorable topographical features. Averting such emergencies (e.g., nuclear catastrophes, ruptured dams, heavy chemical or biological pollution of the environment, relaxed controls over nuclear weapons and radioactive materials) could require huge forces.

One also has to count on the use of other forms of violence that would not occur at the state level and would not meet the threshold criteria of war: Paramilitary organizations or armed terrorist groups could choose Hungary as a transit or a target country.

Armed conflicts erupting in Europe or in other areas of the world, whose political, economic, and social impact would result in significant disadvantages to the Hungarian Republic, could also represent indirect threats. The localizing and liquidation of these, the restoration or maintenance of peace could require international efforts, in which Hungary, consistent with the UN Charter, would be obligated to take part, commensurate with its strength and available opportunities.

The government must endeavor to prevent the evolution of danger situations, to become aware on a timely basis of danger sources becoming activated, and to implement state and military rules and regulations proportionate to the degree of the threat. It must submit recommendations to the National Assembly, leaving enough time for parliament to make the necessary decisions.

Formulating National Defense Policy

A consistent, and at the same time, flexible and adequate strategy for national defense policy must be established by following paths that lead to the goals. The starting point for accomplishing this is the interpretation of the concept of "adequate defense."

Hungary's geostrategic situation, its features, and its financial and human resources justify and enable the maintenance of armed forces comparable to those of other states of a similar size.

The nascent and mutually reinforcing institutions and structures of the European system for security and cooperation also provide foundations for Hungary's security. Therefore, it is a first class interest from the standpoint of Hungary to contribute in the future also as a catalyst to the reinforcement of European security on cooperative foundations, to new measures that strengthen security and confidence, and to the further reduction of armed forces to the minimum level that provides security for every state.

Various forms of regional cooperation strengthen Hungary's security and stability. Confidence is being reinforced by military cooperation with neighboring countries.

The European arms control and disarmament process, embodied in the Paris Charta signed in November 1990, and in the prescriptive provisions of the "Open Skies" agreement consummated in Vienna, among other documents, has been accompanied by the creation of previously unknown, multilateral interest mediation forums, and holds out the promise of additional disarmament agreements and the establishment of reliable information and control mechanisms. These make the concentration of military forces required for an expectedly successful surprise attack against Hungary from our immediate neighborhood very difficult.

With a sense of responsibility for the nation's future, defense policies must operate the institutional system in a way to enable the continuous—in the short, medium, and long term—and reliable assessment of security risks, and the implementation of necessary measures in proportion to the magnitude of the threat, to prevent and to ward off emergency situations.

State organizations involved in averting emergency situations must be factors that guarantee security for the entire society, in addition to strictly defined functions spelled out in the constitution and as part of laws.

In Hungary's interest, the most efficient solutions must be sought in the course of modernizing the armed forces. In this regard, cooperation with other countries plays an important role.

With the establishment of the North Atlantic Council on Cooperation, Hungary's relations with the sole ally on the continent capable of guaranteeing the freedom and security of its members by political and military means have become official. Cooperation with NATO and its member organizations in the form of security policy consultations, the organizing of defense, officer training, converting the military industry and human resources, and in various fields of science and environmental protection means valuable support in the transformation of the Hungarian military according to our needs and available opportunities. This cooperation also establishes foundations for tightening political relations with NATO. Among Hungarian defense policy concepts the West European Union (WEU) plays an especially significant role, of course; in this regard too, we must endeavor to gradually develop multilateral relations in the perspective of Hungary's joining the EC.

Based on the principle that in addition to providing for Hungary's defenses, the Hungarian armed forces also protect the international legal order, the Hungarian Honved Forces must also be enabled to become part of the peacekeeping actions of the UN and of other competent bodies, moreover, part of possible actions that bring about peace.

In this regard, perfecting civilian control over the armed forces presents an important issue. The practical realization of a defense policy based on national foundations is based on the unity of the principles of cooperation, restraint, and defense.

The principle of cooperation conveys the sense that the Hungarian Republic intends to obtain guarantees for its security primarily as a result of developing bilateral and regional relations, and by strengthening the European security and cooperation structure, in which Hungary attributes an eminent role to the EC, to NATO and to the WEU, in addition to the EBEE [CSCE] process and its institutions.

The principles of restraint and defense express the intent of the Hungarian Republic to maintain defense capabilities consistent with international agreements. Consistent with the principle of restraint, national armed forces must be maintained at a level and at a state of preparedness, sufficient to render armed aggression against the country a risky venture, to threaten potential hostile aggressor forces with substantial losses and fiasco, and to thus contribute to the avoidance of armed conflict.

Political and diplomatic mechanisms must be set in motion in periods when threats of armed conflict exist, in addition to demonstrating an intent to take determined military action, and in case of an attack, in addition to military defense, so that European and international institutions ensure Hungary of the solidarity of states interested in averting the conflict, including military support as a last resort.

The System of National Defense

The defense system of the Hungarian Republic is a security system established to ward off dangers threatening the country's independence, freedom, and constitutional order. It unites, and, when needed, activates the country's defense potential: the armed forces and bodies, the economy, the populace, the state leadership and administration, as well as theories and practice on the basis of which the system operates.

Correspondingly, the system of national defense is built on a society that consciously agrees with the country's defense needs, on an economy capable of satisfying the needs of both the armed forces and the populace, on a state organization prepared to defend the country and which remains functional in times of war, as well as on civil defense organizations providing for the protection of the populace, as well as the armed forces (Honved forces and border guards) capable of providing armed defense.

Preparing society for national defense, for performing the tasks demanded by the nation's defense needs could only be based on the judgment of people and on the loyalty of society. To establish this base it is indispensable to formulate and to develop appropriate conscious, intellectual, emotional, and psychological attitudes.

Conscious (psychological) preparation must establish in times of peace, and must maintain in emergency situation a moral potential that is indispensable from the standpoint of national defense. Consciousness of belonging to the nation, a will to defend the country, and determination must be formulated and strengthened. The broadest possible segments of society must be brought to understand and to accept national defense

and civil defense obligations. The preparation of consciousness must extend to every facet of public life, and primarily to the educational and information systems.

Of key importance is the ability to obtain timely information about sources that threaten national security, and an efficient analytical and predecisionmaking capacity to process such information.

Economic preparations should aim for ensuring a balanced functioning of the national economy under conditions presented by various degrees of threat, the provision of vital supplies to the populace, and the financial resources needed for defense.

Preparing the state organization in times of peace for national defense includes the preparation of the country's mobilization system, the state administrative system, and the populace for wartime conditions. The country's executive and state administrative structure must be enabled to concentrate the nation's efforts for the continuous satisfaction of combat forces, and for the maintenance of the state's coherence and ability to function.

With respect to equipping and supplying the Hungarian armed forces, we must rely on Hungarian industry to satisfy the defense needs, and, to the extent feasible, to provide replacement supplies.

Civil defense functions are directed by the minister of the interior. He is also responsible for the civil defense of the country. In times of peace, it is the function of civil defense to avert the consequences of natural disasters and of industrial or other (catastrophic) accidents, to mitigate damages, and to be involved in averting emergency situation flowing from the secondary effects of catastrophic incidents. In case of an armed attack against the country it is the function of civil defense to mitigate the consequences of disasters and destruction aimed at the civilian populace, and to preserve lives and material goods belonging to the populace. The legal and organizational framework, as well as the engineering-technical background of civil defense also require continuous modernization.

The Armed Forces

In order to implement the country's defense policy, the armed forces of the Hungarian Republic must constitute a credible repelling force that encourages the avoidance of armed conflicts and the elimination of danger sources. We must be capable of defending the country and of fulfilling obligations consistent with the UN Charter. We have committed ourselves to in international agreement, including participation in peacekeeping units, and in crisis management or control forces.

The Hungarian Honved Forces are the chief strength of the armed defense of the Hungarian Republic, and are the embodiment of the country's independence. The size and quality of the armed forces, and definitions of levels of combat readiness, preparedness, and operational requirements should make it apparent to an aggressor that in case of aggression he would be confronted with a kind of armed

resistance that would render the achievement of the aggressor's goal questionable due to significant losses in personnel, materiel, and time. The size, composition and technical equipment of the armed forces must be consistent with the needs and requirements of defensive combat activities to be pursued within Hungary and by using traditional means, and the personnel size of the armed forces must be stabilized at a level required to perform this function in times of peace. Consequently, the ratio of military personnel in times of peace should be about 0.7-0.9 percent of the total population.

The Honved Forces must be capable of engaging themselves in combat with alien armed forces attacking the country from any direction, of defending the country's populace and its existential foundations, as well as the country's area, borders, air space, settlements, and important structures.

The Honved Forces should prepare themselves in times of peace for the defense of the country and its populace, they should continuously maintain an ability to engage in war, a level of combat readiness proportionate to the danger that threatens the country, a preparedness to mobilize, and the fighting spirit of the troops.

In times of peace, within the total number of personnel serving the armed forces, one should, necessarily, increase the ratio of professional and reenlisted (contract) soldiers who handle weapons systems of high value. The general duty to serve in the military must be maintained in order to supplement the armed forces. The term of duty of enlisted and reserve soldiers, and their training and reserve call-up systems should enable the personnel's efficient preparation and the maintenance of its knowledge. Mobilizing the trained reserves should take place on the basis of the regional recruitment principle, in the framework of legal provisions applicable to national defense, and with the involvement of state administrative organs and local government officials.

To ensure the wartime functioning of the armed forces, the Honved Forces' security and supply institutions should be supplemented by adding civilian forces and means, and these must already be prepared for this task in times of peace. The wartime battle order of the armed forces must be composed of reserves of military age and of technical means operating within the national economy, must utilize civilian real property to the extent necessary along with the obligation to provide compensation as required by the constitution, so that the state administration and the economy continue to remain functional and that civilian supplies are ensured.

The organized state of the internal functioning of the armed forces should deepen the national character of military service, it should express the indivisible responsibility of commanders for training soldiers to perform their duties, for maintaining discipline based on legal order, and for formulating patriotic feelings and a readiness to sacrifice. Commanders should exercise special

care in guarding the dignity of soldiers as citizens. Increased requirements should be enforced in the physical training of soldiers.

The internal transformation of the armed forces, their order of functioning consistent with European standards, and their national character should strengthen society's respect for the army. The goal is to make the people of the country feel that the army is their own army. The populace as well as the army must become conscious of the fact that soldiers, as uniformed citizens, embody the values of the civilian society. This should also be expressed by improving the living conditions of persons on military duty.

The Hungarian Honved Forces must be prepared to conduct defensive warfare to be waged with modern or traditional weapons, and must be able to defend against weapons of mass destruction. The peacetime and wartime size of the combat ready Honved Forces, their organizational structure, and weapons must correspond with requirements related to defense proportionate to the magnitude of the potential threat, and with the requirements of active defense combat maneuvers (fighting) which also include an ability to counterattack.

The Hungarian Honved Forces shall consist of land based, antiaircraft, and air force units.

Aside from training units, land based troops should include quick response, mobile forces maintained at a high level of preparedness and deployable anywhere in the country, as well as area defense troops prepared to defend individual areas. The latter are to be maintained at skeleton levels in times of peace. Antiaircraft and air force units should possess defensive and offensive forces and means to protect the country's air space, to protect land-based troops, and to provide air support.

The dislocation and preparedness level of troops should enable the rapid decomposition of troops proportionate to the threat both in times of peace and under wartime conditions, the creation of defensive groupings, the timely deployment of troops in any direction, along any border of the country, and the defense of the country's air space.

In order to provide appropriate combat technology to the armed forces, defense needs must be streamlined with economic feasibility. Greater utilization of domestic industry and of developmental capacities must be endeavored, procurement sources must be broadened, and the unilateral dependence must gradually be done away with.

The combat deployment of Honved Forces must be planned so as to enable these forces to avert an attack on the country from any direction by using defensive military activities. The structure and planning of defense should enable the troops to engage in combat and to conduct defensive military action (fighting) in any direction, on any segment of the country's borders, and in a timely fashion, and to defend the country's populace and important structures both on land and in the air. The Honved Forces should be able to inflict considerable damage on numerically superior aggressive

forces, and should be capable of halting their advance, of defending the country, of providing time for the Defense Council to find political solutions, and of mitigating the consequences of aggression.

In times of peace, the border guards shall perform their functions independently, under the direction of the Ministry of the Interior, supplemented by special purpose subunits, guarding the state borders, controlling border traffic, maintaining order at the borders, and performing related regulatory functions. The border guards should be capable of closing the state borders instantly, and should also be able to perform limited border defense functions not requiring the deployment of Hungarian Honved Forces.

In case of war, designated border guard forces become subordinate to the Hungarian Honved Forces, and take part in the armed defense of the country. The border guards shall prepare themselves for this task in times of peace, funded by, and pursuant to requirements established by the Honved Staff.

The Development of the Armed Forces

In addition to preserving the present combat readiness of the armed forces, certain organizational and operational changes must be completed by the middle of this decade. These will enable the most efficient centralization of the available forces and means, and establish foundations for the development of the armed forces, and the modernization of military technology scheduled to take place during the second half of this decade.

In the long term, from among the military technology equipment of the Honved forces the means of modern reconnaissance and defense shall become dominant, based on mobility in the air and air support capable of striking the enemy, radioelectronic warfare, an ability to establish modern technical barriers, repelling armored attacks, mobile air defenses and modern management, and on developed military technology and electronics. Military technology development programs shall concentrate primarily on the air force, on the establishment of rapid response and airborne units, and on the increased effectiveness of reconnaissance, defense against armored units, and air defenses.

A long-term program for military technology development must be prepared by the fall of 1992. In parallel with technical modernization, the professional personnel must be prepared to conduct modern warfare.

Trade Unions Seen Machinating To Preserve Wealth

93CH0048C Budapest UJ MAGYARORSZAG
in Hungarian 5 Oct 92 p 4

[Article by Gabor Ladanyi: "The Last Big Trick"]

[Text] We may now be eyewitnesses to the last big trick of the old regime interpreting the change of regime for posterity: Preparations are being made to "split up" the

trade unions' wealth. What is the problem with this? For one thing, only those who own something know how to divide it up and distribute it. But it will be clear from what follows that it is not at all certain whether the MSZOSZ [National Alliance of Hungarian Trade Unions], which fashionably plays the avuncular role, owns any property at all.

With the collapse of the former regime, the power of SZOT [National Council of Trade Unions], led by Sandor Gaspar, began to wane. Sandor Nagy, who was then deputy leader, created a new organization, the National Alliance of Hungarian Trade Unions. The new differed from the old to such a degree that after withdrawal of a few member organizations the remainder, with the same personnel, assumed a new name.

A nonappealable decree dated 18 April 1990 by the Budapest City Court noted that merely a change of name had occurred. If this is true, then by changing the name the property rights survive, and MSZOSZ inherits all the SZOT property. If it is not true—and we shall soon see that our doubts are justified—then we must ask: To whom does the enormous wealth accumulated by SZOT belong?

Who Owns the 15 Billion Forints?

It is always difficult to get started, but in the land of Rakosi after May 1949 it was not so difficult for the "reorganized" trade unions to prosper. The Communist Trade Union Alliance simply seized the property of the former Social Democratic Party and affiliated trade unions, as well as the newspaper NEPSZAVA. It must be noted that in addition to real estate, headquarters, and workers' homes, thanks to the state's attentiveness, the new trade union accrued more real estate. The omnipotent party was not tightfisted. Thus was created the enormous wealth whose value was estimated at a good 15 billion forints [Ft]. According to the statement, 4.2 billion belongs to SZOT, and the rest to the so-called branch trade unions.

Transfer Attempt

During the years of change of regime, this wealth remained in the hands of a small trade union bureaucracy that, before the change, did not represent the workers' interests but rather those of the party-state. It is not very likely that today these gentlemen experience the average Hungarian citizen's problems of making ends meet. It is natural that this bureaucracy now tries to wheedle for itself as much as possible of the wealth in question. However, the bureaucracy is upset by a few independent and newly formed trade unions. The latter have also asked for part of the plunder. The response: frantic dismissal. The League and the Workers' Council, leaning on the government or SZDSZ [Alliance of Free Democrats] and FIDESZ [Association of Democratic Youth], launched a decisive attack against MSZOSZ, which the trade union confederation's leaders, headed by Sandor Nagy, tried to ward off and outwit by investing part of the wealth in various enterprises.

Before dealing with this matter, we should really define what MSZOSZ is. A successor organization created by a name change? A brand-new trade union confederation? If we accept the first version, then MSZOSZ is actually the owner of the Ft4.2 billion it administers today. In this case, however, it must accept responsibility for the contract it concluded, and it must endure all the burdens of administration, including the discharge of debts. Transferring wealth in an appropriate form, it cannot once again mete it out.

If we accept MSZOSZ as a new organization, then on what basis does it possess the wealth? After all, the decree to shut down SZOT says nothing about whether this wealth devolves to the new organization. According to the meaning, the wealth belongs either to the Hungarian state—and in that case cannot be sold to or distributed among other trade unions—or to the trade unions that comprised SZOT. But in that case, how does MSZOSZ own a legal entity? What financial obligations can it shoulder and how does it settle accounts with the true owners?

Further examination of the wealth question brings to light even more troublesome matters. Before Sandor Nagy signed with Frohburg Union, Inc., the contract that allowed the sale of 16 pieces of real estate worth Ft1.8 billion to a Swedish company, he obtained a statement from MSZOSZ member organizations. The latter have at their disposal a contract plan (21 March 1991) concerning the division of former SZOT property. In it MSZOSZ representatives are authorized to sign the necessary documents or issue the necessary statements with respect to the enumerated 16 pieces of real estate for the purpose of transferring the material property to the Trade Union Bank, Insurance Company, and Trustee Organization.

It is not entirely clear whether the property is divided among them. If it is, then why do we have just a contract plan? If it is not, then why is the consent of MSZOSZ as a legal entity necessary?

At the same time, the member organizations assert in this statement that their present powers of attorney should not be interpreted as abandonment of their claim to ownership of former SZOT property. The question is what the ownership claim is based on, what it includes, what timespan is involved, and whether the claim is valid nowadays.

No One's House

Let us now turn to the sale transaction, during the analysis of which we were able to express so much that was unambiguous: It is an entirely open question who is entitled to handle or distribute trade union property.

The MSZOSZ sold 16 pieces of property (trade union headquarters) at a value of Ft1.8 billion—dated 21 June 1991, according to the contract—to the previously mentioned Frohburg Union, Inc. Serious legal disputes later arose from these sales and purchases. In connection with

the sale and purchase of headquarters at Budapest, Gyorgy Dozsa Way, Eger, Hotel Street, Salgotarjan, and Soviet Republic Square, the Budapest attorney general's office filed a petition in Metropolitan Court to establish invalidity of the contract and to cancel official registration of the real estate. The court approved the petition and based its decision on the fact that the MSZOSZ was not the owner of the aforementioned pieces of real estate.

Again the question here is the same: Who is the owner? Incidentally, the decision is not final in this instance. As a result of appeals, the case will be heard by the Supreme Court on 6 October.

Approval was granted, however, by the Csongrad County Court to the petition submitted by the field office, according to which the MSZOSZ could not sell Szeged's former headquarters to Frohburg. The reason: MSZOSZ is not the legal successor to SZOT. Due to the fact that, based on the decree, Frohburg cannot acquire the real estate, SZOT has ceased to exist, and MSZOSZ cannot be noted as owner in the cadastral register, a decision must be made with regard to who actually owns the former SZOT's Szeged headquarters, whose approximate value is Ft52 million.

Even more interesting than this is the decision of the Zala County and Fejer county courts. Both definitively ruled that the Zalaegerszeg and Szekesfehervar headquarters, sold to Frohburg, were previously owned by MSZOSZ. This is chaotic! The court chooses whether MSZOSZ is or is not the legal successor, and whether or not MSZOSZ can sell the real estate as its own property.

This is total confusion—analysis of interpretation is perhaps dependent on climatic conditions—but just one question remains: the true, original owners, the few million citizens or workers, if you please, who actually created this enormous wealth, how do they receive their share of these often taxed and renamed goods? In other words, does the people's property belong to those who preserve it for prosperity?

State Official on Church Property Compensation 93CH0118A Budapest HETI VILAGGAZDASAG in Hungarian 7 Nov 92 pp 41-42

[Interview with Miklos Palos, state secretary in the Office of the Prime Minister, by Akos Tomory; place and date not given: "The Government Official Responsible for Compensating the Churches Responds: 'We Would Like To See the Churches Not Dependent on the State Budget'"]

[Text] *This year's budgeted funds for this purpose ran out by October, but, even this way, those charged with implementing the law on church-owned real estate have performed their planned tasks; agreements for the return of more than 500 buildings have been reached in the first year. At the same time, and, as a side effect, critics of compensation believe that the relationship between local governments and the churches is gradually becoming more poisoned. How realistic are such concerns? How*

could the law, so often criticized by both sides, be implemented? We asked KDNP [Christian Democratic People's Party] Representative Miklos Palos (age 55), a political appointee state secretary at the Office of the Prime Minister.

[Tomory] Virtually all interested parties have a distressing view of the law providing compensation for the churches: Representatives of local governments are concerned about being "robbed" of local property, while the churches criticize the potential to "sabotage" the law. Which view has more truth to it?

[Palos] I would not say that everyone has a distressing view of this law. A law like this, one that simultaneously provides for compensation and for conditions needed to the functioning of churches, is unique in legal history, and this is why people have difficulty understanding it. We must start out from realizing that the churches have suffered grave injustices after 1948, even though they had been the depositories of great societal values, and had spent most of their assets for the public good before. It could be that this law does not represent Hungarian legislation at its best, but it can be implemented, I am sure. The law enables neither the "robbery" of local government assets, nor the "sabotaging" of its implementation. The already begun compensation process provides a certain kind of reparation to the churches, but it also provides for legal remedies to protect interests on the other side.

[Tomory] But still, there must be some problems with this law, as long as a view attributed to you has spread, according to which part of the local government property should be renationalized....

[Palos] I never said such a thing! I extremely regret that the journalist has "forgotten" to inquire from the person alleged to have made that statement, i.e., myself. The view I expressed at the government committee meeting held that it would have been more useful to create a 3-5 percent reserve fund at local governments before transferring local government assets, and this would have been enough to satisfy the compensation needs of churches in given settlements. This idea is no longer timely. The problem is that the appropriated amount of 1 billion forints is not enough to indemnify local governments because in some instances the value of individual pieces of property amounts to more than 1 billion forints. It is also true that based on a 1990 government determination a real estate fund composed of state assets must be established in order to settle the ownership situation of former church assets, but we did not succeed in this regard, and we have yet to find the reason for our failure.

[Tomory] Nevertheless, in the course of a year you somehow succeeded in returning more than 80 percent of former church property to the churches. Isn't it true that this accomplishment speaks for a willingness to compromise by local governments regarded as being opposed to the church?

[Palos] Mediation committees have been successful in 127 cases thus far, and only 28 cases remain open. Local

governments were able to reach agreements with the churches on the spot regarding the return of 353 pieces of real estate, although, I must say, the attitude manifested by local governments controlled by the ruling party was more positive in this regard.

[Tomory] But at the mediation sessions the "reluctant" opposition, according to your view, was faced with the "combined heavy artillery" of the state and the church. Would you reveal what methods you use to persuade local government representatives to come to their senses?

[Palos] No pressure of any kind at all is involved. This is more like bargaining, in the course of which we try to bring the various interests closer to each other. Passions have never flared in the course of such meetings, and this comes as no surprise, because some pious people are sitting on one side, to whom being at peace and understanding is basic. Nor do local governments want to profit from returning the real property. Although they are not being greatly shortchanged either. In the end, the amounts of indemnification paid to them increase their funds, except in situations when churches take over the real estate together with the functions performed before, let's say in regard to schools and hospitals.

[Tomory] This is where the disputes begin, I would think. For example, who should own the only school in a small settlement, or, as in the case of the Radnoti Gymnasium, should it remain as it is or should it go, an if so to whom, because it already is a well-functioning school, a smooth-running operation.

[Palos] In small settlements one always has to consider the will of the local community. The church must be compensated in a different form, if a large majority of the residents wants to continue to have a municipal school. I believe that the proper place of the Radnoti Gymnasium is also going to be settled in 1993 or 1994, moreover, it is going to be settled in a way that one of the best gymnasiums in the country is not going to be terminated. If I listened to my heart I would transfer that building at this point already, at the same time, however, we must watch so as not to destroy one of the proud examples of Hungarian high school education.

[Tomory] When functions are transferred, what guarantees are provided to local governments about not incurring an additional burden, in other words, what guarantees are there that the parochial school is going to maintain the same capacity as has been maintained before by the local government?

[Palos] No such guarantees exist, because one cannot expect the churches to start up schools with several hundred students overnight. I regard the 10-year implementation period stipulated by the law as appropriate, because this enables the churches to take possession of their real property gradually, commensurate with their capacities, based on the already existing list. These ten years also reduce some excessive expenditures projected in the state budget.

[Tomory] Local governments, on the other hand, are becoming even more defenseless during this 10-year period. Infighting is going to be a permanent fixture, and since local governments do not have legally protected institutions, they might have to pack up their libraries and museums some day. On top, the real property already designated for transfer becomes no man's property from a practical standpoint, and some of the buildings we find in miserable conditions today could hardly survive a situation like that....

[Palos] The Catholic Church has established claims for 3,120 pieces of property, the Reformed Church for 2,423, the Evangelical Church for 450, and the rest of the churches added only 170 pieces of real estate to the list. This list of about 6,170 pieces of property is practically final, because the deadline for filing claims has expired. The record so far indicates that during the initial years the churches are going to ask for the return of real property regarded as having central importance and whose value is high. There is no need to worry about anyone evicting, let's say the Antal Reguly Library at Zirc, and although the religious order is requesting the return of that building, I am certain that we will find a way to leave the library in its original place. On the other hand, there is just concern insofar as the physical condition of the real property is concerned, and I can only hope that the present owners will care for the property like good custodians until they are transferred.

[Tomory] After providing compensation to the churches, some Hungarian religious communities with a great past, but without assets, presently experiencing dynamic development, could make reasonable demands to the state to provide for their operating conditions, too.

[Palos] The scope of the law does not cover these denominations. These denominations are free to acquire property today if they have the means to do so. We must not forget that this law is a compensation law. On the other hand, a legislative proposal to govern the business activities of churches is in the making. We would like to achieve a situation in which churches are not dependent on the state budget, but instead would be sustained by their respective communities of parishioners, alternatively, as a result of the profitable management of assets. This could also provide an opportunity for newly organized churches to develop their infrastructures.

[Tomory] Accordingly, in the final analysis, those who believe that a second church compensation law is being prepared, one that would return landed property and freely disposable real property to the churches, are correct....

[Palos] That is not the issue here, although the solution mentioned by you must not be ruled out in principle.

[Tomory] Accordingly, those who oppose these ideas could pin their hopes only to the shortage of funds, because even the present real property settlement law could barely be implemented this year. What are the prospects for next year?

[Palos] I am not optimistic in light of the already submitted budget proposal, because the proposed 1993 budget would appropriate only 1 billion forints for this purpose. Particularly if we consider the fact that we must provide a 520-million-forint advance guarantee for 1993, this much money is not going to suffice for implementing the compensation quota scheduled for next year.

Bank Celebrates Anniversary, Offers New Service

*93CH0048A Budapest UJ MAGYARORSZAG
in Hungarian 6 Oct 92 p 7*

[Article by J.P.: "American Express in Hungary"]

[Excerpt] Four events suddenly formed the basis of yesterday's press conference by the General Commercial Bank (AEB): The bank celebrated the 70th anniversary of its establishment, opened its new headquarters building, brought its globally integrated computer system on line, and began to issue the American Express card.

"When AEB President Janos Eros first brought me into this building," recalled Mark Palmer, chairman of the board of directors and former U.S. ambassador to Budapest, "I thought he had lost his mind. In place of the sparkling and glittering headquarters of today, there stood a transformer station." This will never become a bank, thought Mark Palmer, but the metamorphosis succeeded: This is the first building in Hungary that was completely renovated with bank functions—mainly security and confidentiality—in mind.

But the stately building and the 70 years are not the essential things, even though in the case of a banking institution they count for a lot. Much more important is how the building is used and what services it offers its customers. From this viewpoint, introduction of a new computer system is a milestone in the bank's life. After all, as President Janos Eros said, with its help we can give our customers at every minute of the day a precise account of where their money is and where it is transferred, as well as the bank's situation, including a daily balance sheet. It is no minor matter that the AEB is the first—and for the time being the only—bank to offer its customers the American Express card, the ownership of which is prestigious around the world. [passage omitted]

Charter on Rights, Liberties Published

Charter on Rights, Liberties

93EP0082A Warsaw RZECZPOSPOLITA (Everyday Law supplement) in Polish 14-15 Nov 92 p II

[Text of Charter on Rights and Liberties]

[Text] To confirm that the Polish Republic is a democratic and law-ruled state, the Charter of Rights and Liberties is constituted. The charter delimits the bounds of the will of the majority in a society of free people.

**Chapter I
Principles**

**Scope of Applicability
Article 1**

1. The charter defines relations between people subject to the laws of the Polish Republic and the public authorities construed as:
 - 1) Legislative, executive, and judicial branches of power (state authorities).
 - 2) Local governments.
 - 3) Organizations or people exercising public duties assigned to them by the authorities referred to in Points 1) and 2).
2. The rights and liberties defined in this charter are directly binding on the public authorities.

**Man's Dignity
Article 2**

The source of man's rights and liberties is his inalienable and inviolable dignity.

**Man's Freedom
Article 3**

1. Everyone can do whatever is not forbidden by law. No one can be coerced to do what is not bidden by law.
2. Anyone who avails himself of rights and liberties is obliged to respect the rights and liberties of others.

**Equality Before Law
Article 4**

1. All are equal before the law and have the right to equal treatment by public authorities.
2. No one shall be discriminated against because of his sex, creed or its lack, views, ethnic or social origin, membership of an ethnic minority, birth, race, language, property, illness or handicap, or for any other reason.

**Laws Governing Rights and Liberties
Article 5**

1. Laws may broaden the rights and liberties defined in this charter; they also may define the manner in which these rights are exercised.
2. The rights and liberties guaranteed in this charter may be restricted solely by law, and only insofar as this charter provides for such a possibility. Such restrictions are admissible only for the purpose of protecting other rights or liberties, public health, domestic tranquility, or protection of the state, and that only to the extent necessary in a society of free people and upon preserving the intent of this charter. Only restrictions that are minimal and sufficient to protect the endangered good are admissible.

**Chapter II
Fundamental Rights and Liberties**

**The Right to Life
Article 6**

Human life is inviolable.

**Personal Freedom and the Right to Personal Security
Article 7**

1. Everyone is entitled to personal freedom and the right to personal security. No one may be prosecuted, detained, or otherwise deprived of freedom except in accordance with legal principles and procedures.
2. Any person deprived of freedom has the right of appeal to a court of law, with the object of immediately determining the legality of that deprivation.
3. Any detainee is informed, immediately and in understandable language, of the reasons for his or her detention. The duration of detention may not exceed the time needed to carry out official activities, and it cannot be longer than 48 hours, unless the detainee is handed an order of temporary detention from an appropriate judicial agency and that order specifies the relevant accusations.
4. Temporary detention is preceded by a hearing for the suspect. Laws may not impose the duty of temporary arrest.
5. The family, person, and institution named by the person deprived of freedom are notified immediately in the event of any deprivation of freedom.
6. Inspection, personal search, and any other violation of bodily inviolability is admissible only in accordance with the legally defined principles and procedures.
7. No one may be subjected to torture or any other inhuman, cruel, or humiliating treatment or punishment. Corporal punishment is prohibited.

Freedom of Conscience and Religion
Article 8

1. Everyone is entitled to freedom of conscience and a free choice of religion.
2. Everyone is entitled to the freedom of practicing, both publicly and privately, individually or collectively, his or her faith and religious rites. Restrictions on religious practices in public areas may be defined by law.

Freedom of Thought and Convictions
Article 9

1. Everyone is entitled to freedom of thought and convictions and to the right to receive and transmit views, information, and ideas. Laws may define the formal requirements, conditions, and limitations to which the transmission of information may be subject.
2. Censorship is prohibited.
3. Art, science, and scientific research are free.

The Right to Information
Article 10

1. Polish citizens have the right to obtain information on the activities of public authorities and public figures. The boundaries of that right may be defined by law.
2. No information on citizens may be gathered except as is absolutely necessary in a democratic society of free people. The principles and procedure for gathering information are defined by law.
3. Everyone has the right to access to official documents and records concerning him or her, along with the right to rectify or demand the removal of unnecessary or illegally obtained information. Restrictions of that right may be defined by law.

Freedom of Assembly
Article 11

Everyone has the right to organize peaceful assemblies and participate in them. Restrictions of that right with respect to assemblies in public areas may be defined by law.

Freedom of Association
Article 12

1. Everyone can freely associate with others and, among other things, has the right to establish trade unions and belong to them.
2. Polish citizens have the right to establish and belong to political parties. Laws may restrict or exclude eligibility for that right in the case of persons

belonging to military or paramilitary formations as well as members of the judiciary.

3. Associations whose objectives or activities are criminal are prohibited. The prohibition against the existence of such associations is ruled upon by courts of law.

The Right to Privacy
Article 13

1. Everyone has the right to respect for and protection of his or her private life, family life, good name, and privacy of communications. The boundaries of this right may be defined by law.
2. Everyone has the right to respect for and protection of his or her identity. Actions intended to assimilate a minority against the will of its members are prohibited.
3. No one can be obliged to declare his or her beliefs, views, religion, or ethnic origin.
4. Everyone has the right to inviolability of his or her dwelling. The boundaries of this right may be defined by law.

The Right to Citizenship
Article 14

1. Anyone born of parents who have Polish citizenship at the moment of his or her birth is a Polish citizen.
2. Anyone whose mother or father had Polish citizenship at the moment of his or her birth has the right to Polish citizenship.
3. Other cases of acquisition of Polish citizenship are defined by law.
4. No one may be deprived of Polish citizenship.

Freedom of Movement
Article 15

1. Any person legally present on the territory of the Polish Republic may freely move in public areas and freely choose his or her domicile.
2. Everyone can freely depart the territory of the Polish Republic. Restrictions may be defined by law for the good of an investigation or judicial proceeding under way, or by virtue of a judicial verdict.
3. Polish citizens may not be expelled from the territory of the Polish Republic.
4. Polish citizens have the right to return from foreign countries.

The Right to Ownership
Article 16

1. Property and the right of inheritance are respected and protected.
2. No one can be deprived of property except legally.

Expropriation is admissible solely for important public purposes and subject to equitable compensation.

3. Taxes or public fees may be assessed only legally. The related laws may not apply retroactively except in the case of a state of emergency or a natural disaster.

Freedom of Private Enterprise
Article 17

Everyone can establish a private enterprise and engage therein. Restrictions may be defined by law solely owing to particularly important public interests.

The Right to Participate in Public Life
Article 18

1. Polish citizens have the right to participate in the management of public affairs personally or through representatives. Laws define the principles for participation in the management of public affairs.
2. Anyone entitled to voting rights can propose a draft law to the Sejm, on condition that it is supported by at least 100,000 voters.
3. Anyone entitled to voting rights may demand the announcement of a referendum for the total or partial repeal of a law. Such referendum is ordered if the proposal is supported by at least 500,000 other voters. Referendums on tax and budget matters are not admissible.
4. The principles for utilizing the rights to civic legislative initiative and civic referendum referred to in this Article are defined by law.

The Right to Self-Government
Article 19

Every gmina inhabitant who is of legal age is entitled to the right to vote for and be elected to local government. Laws may define the minimum period of residence required for acquiring that right.

The Right to Petition
Article 20

1. Everyone has the right to present a petition on his or her own behalf or on behalf of other persons or public interests to the Sejm, the Senate, any organ of executive power, local government, or social organization, in connection with its performance of state-assigned duties.
2. The procedure for considering the petition is defined by law.

Rights of Children
Article 21

1. Children have the right to family raising and care. A child deprived of proper care and raising by parents or legal guardians has the right to care by public authorities. The principles and procedure for restricting, suspending, or revoking parental authority are defined by law.
2. A child capable of expressing his or her own views is entitled to the right of having these views taken into consideration when deciding on matters concerning the child personally, in accordance with the child's age and maturity.
3. Everyone has the right to demand of public authorities that they protect a child against cruel or degrading treatment.

The Right to Public Service
Article 22

1. Polish citizens with full civil rights have the right of equal access to public service according to their qualifications.
2. A government official is a public servant.

The Right to Judicial Redress
Article 23

1. Everyone has the right to present his or her matter for consideration to a legally appointed independent and impartial court of law, which will consider it openly and without any unjustified delay. The trial is ruled by the principle of the adversarial system of justice. Laws may define exceptions from openness of trial.
2. Any party to a trial has the right to appeal the ruling of the court of the first instance.

Rights of the Accused
Article 24

1. Everyone is considered innocent until his or her guilt is affirmed by a legal verdict.
2. When determining guilt, doubts are resolved in favor of the accused.
3. Anyone accused of committing a punishable offense has the right to defense. He or she has the right to choose the defender and avail himself or herself of the defender's assistance during every stage of the proceedings. If the accused lacks sufficient funds, he or she may demand the appointment of a public defender. Cases in which the participation of a defender is mandatory are defined by law.
4. Information obtained directly or indirectly by means of torture, duress, violation of bodily or mental inviolability of a person, illegal intervention into private life, correspondence, or means of telecommunication, or other violations of law, is not admissible as evidence.

Criminal Accountability
Article 25

1. No one can be made criminally accountable for a deed that was not prohibited by law at the time it was committed. No one can be administered a punishment not envisaged by law at the time the deed was committed. These principles are not a barrier to punishment for a deed that, at the time it was committed, constituted a crime under the general principles of law acknowledged by the community of nations.
2. The repetition of criminal proceedings against a person for an offense for which that person has already been tried is inadmissible. This does not preclude the possibility of reinstating proceedings under the guidelines of law.

Prohibition Against Extradition
Article 26

1. The extradition of Polish citizens is prohibited.
2. The extradition of a person suspected of committing a nonviolent political crime is prohibited. Such cases are resolved by a court of law.

The Right to Asylum
Article 27

The Polish Republic guarantees asylum to foreigners who are being prosecuted for nonviolent activities on behalf of liberty and human rights. The principles for eligibility to this right are defined by law.

The Right to Consular Care
Article 28

Polish citizens abroad have the right to protection by the Polish Republic.

Chapter III
Social and Economic Rights and Liberties***The Right to Education***
Article 29

1. Everyone has the right to education. Education may not be monopolized. Any legally acknowledged religion or scientific discipline can be the subject of instruction at school. Instruction may not insult the feelings of believers or nonbelievers. The state exercises pedagogical supervision over the school system.
2. Mandatory elementary education is free in public schools.
3. The contents of this charter and the principles of the political system of the Polish Republic are a study subject in schools.

Freedom of Work
Article 30

1. Everyone has the freedom of choice of work and workplace. No one, with the exception of legally defined cases, may be forbidden to engage in work.
2. Forced labor is prohibited.
3. Employees are free to organize strikes and take part in them. The rules for organizing strikes are defined by law.

The Right to Safe Working Conditions
Article 31

1. Everyone has the right to safe and hygienic working conditions. The scope of this right is defined by law.
2. Maximum norms of work time, days off, and the minimum duration of annual paid leave are defined by law.

The Right to Health Care
Article 32

Everyone has the right to basic health care provided by the public health service. The scope of basic health care is defined by law.

The Right to Social Security
Article 33

1. Every employee or otherwise gainfully employed person and the persons to whom he or she is the source of support have the right to benefits from social security services or other social insurance systems.
2. Anyone who, owing to circumstances beyond his or her control, is unable to procure sufficient means of support is eligible for appropriate material and health assistance from the public authorities.

Chapter IV
Means of Protecting Rights and Liberties***Judicial Petition***
Article 34

Anyone who feels that the protection of his or her rights and liberties under other provisions of the law is inadequate can refer to the provisions of this charter as the basis for his or her claim.

Demands for Cessation of Violations and Claims To Execute Rights
Article 35

1. Anyone whose freedom is being violated may petition a court of law for a cease-and-desist order. Anyone whose charter-defined right is being violated may petition a court to order the implementation of that right.
2. If the petition proves warranted, the court may issue a cease-and-desist order even before issuing a formal ruling.
3. Rulings in matters concerning violations of rights and liberties are issued by the voivodship court under the code of civil procedure. In cases of violation of the right to judicial redress, the proper court is the Supreme Court.

Reparation and Compensation
Article 36

1. In the event of violation of the rights and liberties guaranteed in this charter, monetary compensation for the injury is required.
2. Anyone who was injured owing to a violation of the rights or liberties guaranteed in this charter is entitled to a claim for reparation of the injury.
3. The State Treasury or the local government, together with the official or person exercising specified public duties, is accountable as a body for violations of rights or liberties.
4. Reparation and compensation are ruled upon by a voivodship court under the code of civil procedure. In cases of violation of the right to judicial redress, the proper court is the Supreme Court.

Accountability of Officials
Article 37

An official has the right to refuse to execute an assignment that conflicts with the law, and he or she is accountable for issuing or executing such an assignment.

Right to a Constitutional Petition
Article 38

Polish citizens have the right to petition, in accordance with legally defined principles, the Constitutional Tribunal to verify consonance between a law or other legal act and this charter. The ruling of the Constitutional Tribunal is final.

Requesting the Citizens' Rights Spokesperson for Protection
Article 39

1. Everyone has the right to request the Citizens' Rights spokesperson for assistance in protecting his or her rights or liberties in accordance with the guidelines of the Law on the Citizens' Rights Spokesperson.
2. The spokesperson may, on the motion of the concerned party, appeal a valid judicial ruling to the Supreme Court on general principles, if the spokesperson judges that said ruling violates the present charter.

Applying International Law in Defense of Rights and Liberties
Article 40

The norms pertaining to the rights and liberties defined in this charter should be interpreted in accordance with the Universal Declaration of the Rights of Man and the international agreements concerning rights and liberties ratified by the Polish Republic.

Chapter V
Economic, Social, and Cultural Tasks of the Public Authorities

Labor Protection
Article 41

1. Public authorities must strive to assure optimal working conditions.
2. State authorities pursue a policy promoting employment, and provide, pursuant to legally defined principles, appropriate assistance to persons who are not employed due to circumstances beyond their control.

Protection of Family and Marriage
Article 42

Public authorities assure social, economic, and legal protection of the family and legal protection of the institution of marriage.

Health Care
Article 43

1. Public authorities create health care establishments.
2. State authorities implement national programs for the control of epidemic diseases and the prevention of the deleterious consequences of environmental pollution to human health.
3. Public authorities provide special health care to children, pregnant women, and incapacitated persons.

Protection of the Creative Potential of the Individual
Article 44

Public authorities create the conditions that make it possible to acquire academic and vocational/professional education corresponding to the abilities of the individual.

Protection of the Consumer
Article 45

Public authorities protect consumers and users against dangers to their health and safety, and against dishonest market practices.

Protection of Cultural Treasures
Article 46

The protection of cultural treasures is a duty of public authorities. Public authorities create the conditions enabling Polish citizens to participate in culture.

Environmental Protection
Article 47

Protection of the natural environment is a duty of public authorities.

Nature of the Accountability of Public Authorities
Article 48

The implementation of the duties of public authorities defined in the present chapter cannot be claimed by judicial means. Public authorities exercise these duties in accordance with their economic possibilities. The Council of Ministers and the executive bodies of local governments present for acceptance reports on the implementation of the tasks defined in this chapter, along with assessments of the effectiveness of the measures taken.

Chapter VI
Suspension of Rights and Liberties

Suspension of Rights and Liberties in States of Emergency
Article 49

Proclamations of war, martial law, and state of emergency may order only the necessary suspension or curtailment of the rights and liberties guaranteed in the present charter. This provision does not authorize the curtailment or suspension of the following rights and liberties: the right to life (Article 6) for persons who are not participants in armed conflict; the right to humanitarian treatment (Article 7, Paragraph 7); freedom of conscience and religion (Article 8); the rights of children (Article 21); the prohibition against retroactivity of criminal law (Article 25, Paragraph 1); the prohibition against extradition (Article 26); the right to asylum (Article 27); and the right to social protection (Article 33). Restrictions on the right to judicial redress (Article 23) that render it impossible to protect the rights and liberties guaranteed during war, martial law, or state of emergency are inadmissible.

Commentary on Charter

93EP0082B Warsaw RZECZPOSPOLITA (*Everyday Law supplement*) in Polish 14-15 Nov 92 p II

[Article by Izabela Lewandowska: "Source: The Inalienable and Inviolable Dignity of the Individual"]

[Text] The Sejm and Senate of the Small Constitution have defined the rights and relations among the various branches of government. This means that, if the president signs that act, the applicable provisions of the Polish Constitution, whose roots reach back to the year 1952, will cease to apply. On the other hand, outdated provisions governing the rights and responsibilities of citizens would remain completely intact. The catalogue of civil rights they contain is quite modest and couched in vague language. It is simply that, despite their "renovation" owing to successive updatings of the Constitution, these provisions bear the stamp of the times in which they originated. They are of a declarative nature because the assumption had been that they would not provide a legal foundation for claims by citizens.

In such a situation, the president, before signing the Small Constitution, has decided to propose to the parliament a rapid passage of a constitutional act defining, in consonance with present-day needs and standards, a bill of civil rights and liberties. The nature of this bill or charter reduces to a new settlement, and on a completely different plane at that, relations between the authorities and the citizenry. Its framer assumes that the proposed act merely confirms the liberties to which every individual within the scope of Polish law is entitled by virtue of man's dignity. The numerous provisions of the charter are to apply not only to Polish citizens. Their source is precisely that dignity, freedom, and equality before law that are nowadays the foundation of the legal order in a democratic country. As for the role of the government, it is to consist in safeguarding their protection and refraining from violating them.

The president's proposal for the Charter of Rights and Liberties has coincided, surely not without reason, with the signing of the Law of 2 October 1992 on the Ratification of the Convention on the Protection of the Rights of Man and Fundamental Liberties. After several additional formalities are attended to, Poles will be able to claim before the judicial bodies of the Council of Europe the rights guaranteed in that convention. Hence, this is a fairly distant road to the average citizen of our country. The passage of the charter by the parliament will mean that he will be able to seek judicial redress much closer—in his own country.

The proposal is that the citizens may directly petition courts for respect for the rights and liberties guaranteed in the charter, and that its provisions be the direct legal foundation for such claims. In the event of violation of a particular right or liberty by the authorities, the wronged person will have the right to petition the voivodship court and, in the event of violation of his or her right to judicial redress, the Supreme Court. The adoption of the

president's proposal will also mean meeting a long-advanced demand, which is, besides, consonant with what is beginning to be a norm in democratic countries—namely, granting citizens the right to appeal directly to the Constitutional Tribunal provisions that conflict with the statements of the charter.

The proposed bill of rights and liberties is by assumption of a fundamental nature. It comprises matters that are obvious and uncontested. It is assumed that this charter may be expanded in the future. The charter guarantees only those rights whose exercise can be, by their very nature, claimed by judicial means, and what can indeed be executed. They are civil rights and liberties (the right to life, to personal freedom, to freedom of conscience, religion, thought and convictions, assembly, and so forth), political rights (including the right to petition, to participate in public life, to self-government), as well as a minimum of social and economic rights (for example, the right to education, freedom of work, the right to health care and social security).

The exercise of these rights can be—let us emphasize once more—claimed before a court of law. On the other hand, some of the economic, social, and cultural rights are treated in the charter as tasks for public authorities. It is assumed that they will be implemented, in proportion to financial possibilities, by means of political rather than legal instruments. This means, for example, that a citizen cannot resort to the judiciary in order to compel the authorities to protect work, family and marriage, health, personal creative potential, the community, or cultural treasures, if the sole foundation for such claims is the provisions of the charter. Of course, other laws can enable him to resort to that means, and some already do.

At the moment, however, the Republic simply cannot afford to provide citizens with social and economic security. On the other hand, it can guarantee them legal and political security, inclusive of protection against bad laws and against abuses on the part of the authorities. For these reasons, the charter places emphasis on civil and political rights and liberties. This is also evident in the very design of that document.

It is worth noting that the charter fully corresponds to international standards. Experts are certain to perceive in it numerous analogies, especially to the corresponding provisions of the Constitution of the United States. The need to adapt our native law to international standards and mesh it with what is viewed as the norm in democratic countries is nowadays being so much discussed and written about that it is beginning to elicit a hostile response. It should be borne in mind, however, that, at present, we are following, often at a forced pace, the path traveled or being traveled by other nations and that this hardly causes complexes among them.

The president has appended to the draft of the charter the draft of another constitutional law—the provisions introducing the charter. These provisions define the effective date of the charter (which should begin to apply 90 days after its publication) and specify which of the provisions of the existing Constitution are correspondingly waived, and, this being even more important, which of its provisions shall continue to apply. The latter regulate chiefly the fundamental civic obligations. The framer of the drafts has decided not to link them directly to the rights and liberties guaranteed in the charter, on the assumption that everyone is entitled to them by reason of human dignity rather than of having satisfied his or her civic obligations.

Specifically, it is proposed that Articles 90 and 92 of the Constitution of 1952 remain binding. The former obliges citizens of the Polish Republic to adhere to the provisions of the Constitution and laws, to respect the principles of social coexistence, and to conscientiously fulfill obligations to the state. The latter states that defense of the fatherland is the most sacred duty of every citizen, and that military service is an honorable duty of patriotic citizens of the Republic.

Also to remain binding is Article 82, Paragraph 2, which states the principle of separation of church and state. Under this provision, the church is isolated from the state, and the rules governing the relationship between church and state and the legal and ownership status of religious associations are defined by laws.

Stolojan Quizzed on Economic, Political Problems

93BA0239A Bucharest ROMANIA LIBERA
in Romanian 10, 11 Nov 92

[Interview in two installments with Prime Minister Theodor Stolojan by Gilda Lazar and Dan Vardie; place and date not given: "They Are All United Against Me"]

[10 Nov p 2]

[Text] [ROMANIA LIBERA] Mr. Stolojan, there has been a flood of interviews with the prime minister recently. Therefore, please tell us something that you have not disclosed to others. Many people, including Mr. Coposu, felt that you were the only person who could defeat Iliescu in the elections. Why did you not run?

[Stolojan] I did not feel this was the right position for me, given my temperament and given those things I have accumulated during my life. Also, I could not imagine myself running against Iliescu. I have worked very well with him. In a political campaign you have to say things that you do not believe, because the party demands it.

[ROMANIA LIBERA] Doesn't that seem a little self-centered to you? "The position does not suit me...I cannot...," yet didn't you think of other people?

[Stolojan] No, but that is not the issue. It is a question of what you know how to do best. In other words, should you go back to doing something that you are not skilled in? What would it mean for me to go around saying that Iliescu is old, that he was in the *nomenklatura*? I would have to attack him, isn't that so? I would end up in an exchange like the one between Constantinescu and Iliescu in which each tried to show how much the other was a member of the *nomenklatura*.

[ROMANIA LIBERA] We have heard it said, "Stolojan has failed a second time to help Romania escape communism." If the price of gasoline had been raised before the elections, the Democratic National Salvation Front [FDSN] would have lost—and the parties (with the exception of the National Peasant Christian Democratic Party [PNT-cd]) and the labor unions had asked you for a postponement. Did you accede to an express request by the president?

[Stolojan] It is not true. I did not do so at Mr. Iliescu's request, although later, the way the press presented these matters, it may have benefited Mr. Iliescu somewhat.

[ROMANIA LIBERA] Along these same lines, by deliberately and artificially blocking the devaluation of the leu, and by masking the true state of the economy, weren't you in some way favoring the FDSN?

[Stolojan] I discussed this issue with the parties and the labor unions and then I stated clearly that we might not be able to hold the elections because of social unrest, given in August we would have to raise prices for gasoline and other goods.

[ROMANIA LIBERA] You have always kept your word. This time you stood firm until the last minute. Then you gave in. Why?

[Stolojan] They all united against me.

[ROMANIA LIBERA] Did you have to consult all these people?

[Stolojan] Yes, because this was a major social issue.

[ROMANIA LIBERA] Yet Mr. Roman did not ask anyone when he instituted the first liberalization.

[Stolojan] Those were different times. After the revolution, everyone was captivated by red sweaters. I do not have a red sweater.

[ROMANIA LIBERA] In any case, you have to acknowledge that you favored the FDSN.

[Stolojan] I would say that I favored a climate for holding elections in Romania.

[ROMANIA LIBERA] On gasoline prices, reality appears to contradict you. Mr. Vacaroiu is the moral authority for this affliction that you have adopted. We agree that complaining loudly about it now is too late, we should have been protesting loudly two months ago when it was decided to add this super tax on certain products, which some have been too quick to consider luxuries.

[Stolojan] But we did not create a super tax, we only changed the name of a tax that already existed. We changed it to an excise tax on the exchange of goods because we are preparing for the fiscal system that we are introducing on 1 January with the adoption of a value added tax.

[ROMANIA LIBERA] Which is more desirable, very high taxes so that citizens can only buy small amounts, or reasonable taxes that would permit people to purchase absolute necessities?

[Stolojan] This is a pointless discussion, because I simply am doing what others are doing all over the world. Why should I drive myself crazy trying to figure out what to tax when others discovered this over tens or hundreds of years? In all our neighboring countries, gasoline and diesel have at least a 100 percent tax. The international price is 20 cents a liter. Only the Bulgarians sell it for 30 cents, but that is only because in Bulgaria even a fly cannot leave without a visa.

[ROMANIA LIBERA] What is stopping you from strengthening border controls, and opening more frontier crossing points?

[Stolojan] This means more money. Why solve the problem this way when you can solve it through pricing like the rest of the world does? Of course, border controls also should be strengthened.

[ROMANIA LIBERA] Regarding reduced prices for agriculture and mass transit, why is the citizenry as a

whole supporting this price difference when no one is stopping mechanic "X" from going out on the highway and selling Diesel fuel to Arabs for their Mercedes?

[Stolojan] You are absolutely correct there. I have discussed this with the appropriate ministers and I told them that this policy was stupid. We must intervene and phase this out. We will retain the reduced prices only for agriculture, because this is a worldwide practice. However, we will use this as a control measure. It is clear that this was an erroneous policy of considerable dimensions.

[ROMANIA LIBERA] Then, there is the problem of color televisions with remote control. How is it possible that when the ordinance was announced not even the minister of the economy and finance knew that Romania produces such products? Just whom are we protecting?

[Stolojan] If this is as you say, then we made a mistake. Our intention was to save our hard currency for our true needs, for example to import grain. This must be changed immediately and we will find other criteria.

[ROMANIA LIBERA] We have the same situation with "Dacia Pitesti." They produce 1600 cubic centimeter engines, and, with the excise tax, the price of their car has doubled. What are we doing?

[Stolojan] It is clear there is a problem too, and we will correct the situation. They should have known that Pitesti was producing a car with a 1600 cc engine. One idea: Instead of the excise tax, I would suggest halting the gasoline allotment for those owning cars with motors larger than 1700 cc. I do not believe that would be too much of a hardship for Mercedes owners.

[ROMANIA LIBERA] There is discussion about the legality of the excise tax ordinance. Shouldn't you have sought parliamentary approval?

[Stolojan] How can you work with the Parliament when it is on a four-month vacation? During the transition, we must have the capability to act quickly. This does not mean that we are not under parliamentary control. Right now, the Senate is a very academic institution, very poetic—some with prayers, another with poetry.... It is even more interesting with the deputies: With so many specialists, each with his own viewpoint, you cannot tell who is a "contra." Imagine me going now to Parliament with an excise tax. They would be yelling "murderers" at us.

[ROMANIA LIBERA] Our newspaper told you that you had been mistakenly informed concerning the fuel-oil supply at thermoelectric power stations. We reported to you that there was a 100,000-ton shortage.

[Stolojan] I cannot believe you; there should be an inspection. And out of curiosity, I will do just that.

[11 Nov p 3]

[ROMANIA LIBERA] According to government reports, unemployment has reached 7.6 percent of the work force. For a transition period, do you believe that is high or low?

[Stolojan] Let us look at what is happening with other countries: 8 percent in Hungary, 11.4 percent in Poland, 6.6 percent in Czechoslovakia. It appears to me that we are doing rather well. But I do not believe that this is good enough for Romania; the unemployment rate should be lower. We do not have the financial resources, but we should be building highways that would mean hundreds of thousands of jobs. Of course, I am not sure that those who are receiving unemployment compensation would want to work on highway construction. We are considering using part of National Bank of Romania profits for uncompleted housing construction.

[ROMANIA LIBERA] Do you have other examples?

[Stolojan] Well, there is the Bucharest-Danube canal, which is now involved in an entire ecological debate. Mr. Iliescu has a problem too: He opposed it in advance.... The Arges carries so much silt, that if you build locks, you will spend all day pumping them out. It is something we can discuss.

[ROMANIA LIBERA] Last year's budget deficit was paid by transferring dollars into lei through borrowing. This year's budget deficit will be covered by the Romanian Savings Bank [CEC], from people's deposits. Do you believe that it is normal for the citizenry to bear the burden for inefficiencies that are transferred to the budget? Does it appear to you that the present deficit is too large for a country in transition?

[Stolojan] Costs can only be supported by the people and, possibly, by the outside world. There are many inequalities here. Catarama is doing very nicely. He is part of the population. So is Paunescu. I believe that Mr. Mihai Bacanu, the editor in chief...

[ROMANIA LIBERA] Mr. Bacanu is not the editor in chief, nor does he have a salary even as large as a secretary in this palace.

[Stolojan] Fine. The majority of the population has a hard time coping. But there is no one else, no Uncle Sam, no rich uncle. The deficit must be covered by someone. But as far as the CEC is concerned, even if we take money, we will do it very economically. Now, 2 percent of the gross industrial product is an acceptable deficit. We know that production will fall again this year by 1-2 percent. And we must factor zero growth into the forecast.

[ROMANIA LIBERA] Why?

[Stolojan] Because the forecast must cover the social sector. In practice, many influences come into play. This month, for example, is the third when production has increased, but we cannot draw any conclusions because we are not sure that this really is a sudden improvement.

[ROMANIA LIBERA] Devaluing the leu has created a phenomenon that appears to be a paradox: the money "remains" deposited at the CEC and not "placed" into production.

[Stolojan] Money must be a commodity that has value. If people do not become used to this fact, nothing will happen in society. If there is 10 percent inflation, then there must be an 11 percent interest rate. So when you take a certain sum out of the CEC, you should be able to buy at least as much as when you deposited it. We are the only ones with this crazy attitude toward interest rates. On the whole, the tendency to save is greater than the tendency to invest.

[ROMANIA LIBERA] Supposing a citizen did have some money, what should he do with it?

[Stolojan] You can buy some stocks, although you are taking an additional risk. For example, my wife and I each bought 25,000 lei of stock in "Ursus" and that money may be lost. The financiers were supposed to issue government notes, but they cannot because of printing problems. Only now are they creating a treasury network. Investment funds should be started up such as was the case with the Mori group of Mr. Dijmarescu, with a billion lei in loans, none of which was called in. We issued a decision creating such a fund. If I do not know where I want to put my money, this group invests it for me and offers me a higher interest rate than does the CEC. Of course, such a group can make mistakes.

[ROMANIA LIBERA] Before, there were many different types of taxes. Now it has been simplified: over 1 million lei in profits, a 45 percent tax; under 1 million, 30 percent. What sort of society do we have when one can make a profit of one million lei?

[Stolojan] Do not forget that a million lei was more money last year than this year. But the majority of small businessmen are exempt from taxes on profits. If I am to change the rates, I have to go to Parliament. And what do you think Mr. Patriciu would say if I proposed a change? Patriciu would say that they should not have to pay any taxes at all. First and foremost, he defends his interests as a businessman.

[ROMANIA LIBERA] Then how can we convince him to pay?

[Stolojan] I have a theory, but it is best I am leaving. In a transition period, you cannot always tell the difference between legal and illegal business. Thus, after such a period, you levy a substantial, one-time tax on those who made a huge amount of money. You hear about "war profiteers," well, we can speak of "transition profiteers," who should make a contribution to the majority who suffered. This is the route I believe we should take.

[ROMANIA LIBERA] The government reports that prices for consumer goods are up 857.6 percent since October, 1990. Can you name five products the prices of which have not increased at least tenfold?

[Stolojan] I will give you one: a kilogram of apples costs 150 lei. Could you buy apples for 25 lei during the Ceausescu era? This did not go up by 8 times. And, if I looked further, I could give other examples.

[ROMANIA LIBERA] Mr. Prime Minister, do not bother to look further because they do not exist. We do not know who is giving you this information....

[Stolojan] I have a statistical report, but this does not interest me. What does interest me is the fact that by introducing a new component into the pricing system, I have resolved a problem in moving to a market economy. In the first half of 1990, you could only purchase wine under the table. Through liberalization, that problem has ended.

[ROMANIA LIBERA] But wine is not meat!

[Stolojan] There is nothing we can do about meat. There is no meat and you cannot let it be regulated by the market place. You forget what our starting point was. There has always been a great difference in the standard of living between us and Czechoslovakia. The Czech has begun to feel the pinch, but it is from the fat around his middle. At the same time, as you well know, we were hardly well off, yet we had to sacrifice too. Recently we resolved the question of sugar and cooking oil. Even if it costs us, we will bring internal prices into line with external ones. Currently we have subsidies on only eight products. If by 1 May, 1993, we have completely eliminated subsidies, we should give some compensation, keeping within the budget....

[ROMANIA LIBERA] In other words, a small compensation.

[Stolojan] ...keeping within the typical family budget. I cannot take care of those who eat a lot.... I do not eat much bread. When I go to Parliament, I discover that we have some people who are simply stuffing themselves with food.

[ROMANIA LIBERA] Do you think there will be a transition period from Stolojan to the FDSN?

[Stolojan] No, as the Constitution stipulates, Mr. Vacaroiu must present the government list within 10 days. In such a short time, he does not have to present a program based on a strategy of implementing the FDSN political platform or a combination of platforms, but only a 10-15 page outline.

[ROMANIA LIBERA] You have said that you wanted to take up your private practice and that you did not want to return to government. What will the future government have to keep in mind so that you can continue your profession undisturbed by others?

[Stolojan] Just to continue the process, to bring democracy to our country, and to have a market economy. But we must not go beyond what is tolerable.

Exchange Over Foreign Affairs Ministry Directives

Columnist Attacks Restrictions

93BA0299A Bucharest "22" in Romanian
12-18 Nov 92 p 3

[Article by Gabriel Andreescu: "Basement Politics"]

[Text] Waves, with their surface agitation, make us forget that the sea stretches underneath. The political show on which the media has recently focused, diverts our attention away from events that often are more significant than those in the limelight. For instance, how much attention has been devoted to the last minute decisions of the Ministry of Foreign Affairs [MAE]? The last copies of George Orwell's books have not even been sold, and now the MAE is introducing restrictions regarding the use of the words Ardeal and Transylvania. That the MAE dignitaries would again dare to issue standards of language before the elections was an improbable thing. The same MAE returns with an equally strange decision: Prefectures have received telexed or faxed orders to announce and request approval for meeting foreigners. Whether a prefecture should (or not) provide information about contacts is a matter that cannot be discussed. Prefectures remain government institutions, and in principle receive orders regarding activities that are considered important. But even if we were to admit that meetings with foreigners are as "important" as that, the orders must "flow" from the prime minister or from the local administration department. In any case, not from the MAE. Why then were the faxes issued from there? It is known that the MAE was *Securitate* territory (meaning it was part of the *Securitate*), and thus one of the major (and abusive) centers of power. For this reason, Romania's representatives abroad lasted for a long time in their positions, even though the new team after the revolution realized that the situation was such as to justifiably cause misgivings among the western partners. After some time, they changed (80 percent of them did, as Adrian Nastase stated at one point). In an interview with "22," Ambassador of the Netherlands Coen Storck, being the most picturesque as well as the most serious ambassador to Romania, made the comment that the worst of those in the country left for abroad, and the worst of those from abroad came home. We now see that in the meantime, the MAE "representative" has become the second-most-important person in President Iliescu's party (by which I obviously mean FDSN [Democratic National Salvation Front]) as well as the president of one of the chambers. Given the importance of the *Securitate* in the country's domestic life, he probably thought that it should also manifest itself "live" instead of solely undercover (like the conflict scenarios developed by Magureanu), in which case it is easy to understand why the MAE is in a position to send decisions to prefectures, government organs in the local administration. That is why the press should take

greater note of the behavior of institutions that in fact are the seat of the authentic force dynamics in the country.

A "cross section" of other ministries and institutions create a similar impression. Little by little, they come under the rule of the president's proteges, creating functions that repeat the old police ways that undermined the country's life under the Ceausescu regime.

But it is also worthwhile to look a little deeper. Men from ministries, parliamentary commissions, from all sorts of organizations invented by the government, are being sent to the four corners of the world, where they bring shame to the countrymen whom they happen to meet. Their grossness, their greed for petty profit, and their positions (in the name of the country's institutions) create an embarrassing image in foreign eyes. And at home, in enterprises, former *Securitate* agents in retirement are rehired in appropriate management jobs (legal advisors, for instance). There would be nothing wrong with that if they naturally reintegrated themselves into social life, thus reducing the tension left by history. But through their presence they simply reknit a mafialike network whose members will bring much evil and much too little good. How is it possible for these nobodies to represent and lead us? They are obviously the same people who were responsible for the primitive nature of the Ceausescu regime. Their carefree moves after the elections suggests that we are facing a general revival that is not being taken seriously enough, even though it represents one of the most revealing pictures of our evolution, and especially of our political prospects.

And how far will this process go? It is not only parliamentary life that shows how the bluntness with which the FDSN, the PUNR [Romanian National Unity Party], the PRM [Romania Mare Party], and the PSM [Socialist Labor Party] coalition is leading toward a strong restoration. How will it stop, this movement that is placing those who were once in power in a situation in which they can fully retaliate, as a result of which institutions will operate on the basis of resentment?

Ion Iliescu, more powerful than ever, is skillfully weaving his web with this arrogant, obtuse human material, who would be nothing without the docility that the president gives them an opportunity to confirm. In fact, as the elections clearly showed, Iliescu was elected by the least informed and most conservative portion of society. He not only relies on this group, but contrary to elementary social compromise, he is trying to expand it, to assure its primacy. Through the systematic penetration of Iliescu's mercenaries into the major institutions that control the country's operation (the Constitutional Court, the Supreme Court, CNA [National Audiovisual Media Council], and so on), the independence of the branches becomes a principle without substance with each passing day. Considering all that I have said, Ion Iliescu is getting closer to his predecessor, Nicolae Ceausescu. Will Iliescu go as far as to repeat the latter's fate up to the end?

Adrian Nastase Replies

93BA0299A Bucharest "22" in Romanian
26 Nov-2 Dec 92 p 4

[Letter to the editor by Adrian Nastase]

[Text] Ministry of Foreign Affairs, Office of the Minister, Bucharest, 16 November 1992

The article by Gabriel Andreescu entitled "Basement Politics," published in "22" No. 45 (146) of 12-18 November 1992, shows how it is possible to write an article based on a pretext aimed at a political target, which in this case happens to be the Ministry of Foreign Affairs.

For the record and out of respect for the readers of your prestigious magazine, I feel an obligation to make the following clarifications, since Mr. Andreescu refers to matters that he either does not know, or does not understand, or both. He starts with the "information" circulated in the Hungarian-language press of Romania and Hungary, which pretends that "the MAE is introducing restrictions regarding the use of the words Ardeal and Transylvania," and on this basis makes a number of malicious, if not ill-intentioned, remarks about the Ministry of Foreign Affairs.

Does Mr. Andreescu imagine that the MAE can introduce such restrictions? What the MAE has done, and what I am sure it will fully continue to do using its legally established jurisdiction, was to warn, or in any case, to raise awareness about the danger of the obvious attempts of some political forces to identify Transylvania as a political and territorial-administrative entity separated from Romania. This is explained in the MAE declaration released to the press on 29 October 1992, which I append to this letter.

Another incorrect criticism directed by Mr. Andreescu at MAE refers to the "order" the latter is supposed to have sent to prefectures to "announce and request approval for meetings with foreigners." Had he really wanted to know the facts, Mr. Andreescu would have learned that MAE merely reminded the prefects of its jurisdiction with respect to current laws and regulations, and the need for the prefectures to ask for the ministry's approval when they are involved in activities that concern Romania's foreign relations. It is therefore clear that this is a question of prefecture activities as governmental structures, within the framework of meetings with officials from other countries, and in no way concerns meetings and contacts with foreigners in general. Of course, I can understand that if Mr. Andreescu had taken the exact text of MAE's letter to the prefectures, he could no longer support and develop the preconceived notions that MAE is "Securitate territory."

In order to dispel misunderstandings, I attach the full text of the MAE's 9 October 1992 letter to the prefectures, which has also been made public after its deliberately distorted text was mentioned by some Hungarian-language newspapers in Romania.

I find it difficult to believe that Mr. Andreescu does not understand the reasons behind MAE's adoption of all these measures, which relate to the protection of national interests, because the other alternative excludes them from the start. And then I ask myself whether the internal political struggle to be discussed through the objectives proposed by Mr. Andreescu's article, can be led on behalf of Romania's fundamental interests; I hope you will agree with me that the country's territorial integrity and its unified nature belong to that category of national interests.

I leave it to your discretion whether to publish this letter or not, but I hope that at least its attachments will find space in the pages of your magazine, in order to correctly inform its readers.

[Ed. note: The attachments were published below Nastase's letter.]

Hungarian Academy Head on Ethnic Rights, Nation

93BA0146A Bucharest ROMANIAI MAGYAR SZO
in Hungarian 17 Oct 92 p 4

[Interview with Domokos Kosary, president of the Hungarian Academy of Sciences, by Gyorgy Fodor; place and date not given: "Human Desire and the Feeling of Belonging Is What Makes People Hungarian"]

[Text] Domokos Kosary, president of the Hungarian Academy of Sciences, considers the national state a historical category, and "national liberalism" a question of party politics with a different emphasis today than in the 19th century.

Being Hungarian is not determined by biology or by the circumstances of birth.

The concept of a political nation was an oxymoron at its inception.

The future Europe will consist of nations, and the peoples of the former Yugoslavia will also take off the straitjacket, he said in an interview with MAGYAR HIRLAP.

[Fodor] I read an official statement, and although I do not want to talk about politics, I would like to ask your opinion of the statement by the Ministry for Foreign Affairs on the World Congress of Hungarians, about the statement that "a fundamental premise of the new democratic Hungary's concept of nation is that everyone who considers himself Hungarian can regard himself as a member of the Hungarian nation...." My problem is with "member of the Hungarian nation." What does it mean that someone is a member of the Hungarian nation?

[Kosary] I would perhaps express it differently, although I basically agree with it. There is a lot of discussion here about who is Hungarian and what being Hungarian means. I consider this question senseless. We are the Hungarians, and that's that. We don't have to keep looking in the mirror timidly and ask who am I, what am

I, because this is perhaps a sign of illness. I regard everyone as Hungarian who considers himself Hungarian. This is in effect a *plebiscite de tous les jours*, a daily referendum. In other words, it is determined not by the circumstances of birth and biology, but rather by the person's desire, will, the feeling of belonging; these are what determine who is Hungarian. Whoever considers himself Hungarian is Hungarian. And if a Hungarian lives in another state, what is he? In very many places, and this is mainly true for our eastern Central European neighbors, the nation and the state do not cover the same area. Ethnic boundaries and political boundaries do not coincide. Those who live within the borders of Hungary and consider themselves Hungarians are, of course, members of the Hungarian nation. Some time ago, in the last century, the concept of a political nation existed. According to the 1868 Law on Nationalities, everyone who lived in Hungary, regardless of his language, constituted the unified political nation, the Hungarian nation. Even back then this was an oxymoron, completely untenable. Since then, others have applied the same principle to us, but by now it is even more untenable. But what happens if, say, at a given moment in time, someone finds himself together with his village in another state? This means that politically he is a citizen of another country, and politically he is obliged to keep not Hungary's laws, but those of the other country in question. But will his cultural background and belonging change with this? No! Thus, one can say that culturally someone belongs to the Hungarian nation, but politically he is a citizen of another country.

[Fodor] All this has numerous political, economic, and legal implications as well. The Anglo-Saxons have many areas of application for "nation," "people," and "state." In your opinion, what does the concept of "national state" mean today?

[Kosary] I can answer this question historically, because this is a historical phenomenon. It is another thing how jurists and sociologists try to define a historical phenomenon. In history, definitions are always difficult. A national state is a concept according to which within a given area, within a state, there is a dominant nation which regards this state as its own exclusive property, as it were, and for this reason it has the right to regard the affairs of all those who live within its borders as its own internal affairs. And if there is another ethnic group or another nationality there, then it is the dominant nation's own internal affair how it deals with the affairs of the others: Does it regard them as disturbing factors, as raw material that might be utilized, or perhaps—there is an example for this lately—is it trying to get rid of them by sending them across the borders? This endeavor was never completely, absolutely, and maximally carried out; still, this has been the dominant tendency since the 19th century. But even then it caused a lot of trouble. Today, at the end of the 20th century, of the cruel 20th century and at the threshold of the perhaps even crueler 21st century, this policy is antiquated, untenable, and dangerous. It is irreconcilable with the future Europe. The future Europe will also consist of nations—Europe will not be one single nation. This is only

conceivable if we accept diversity, respect for others, and tolerance. How can a state fit into the future Europe? Obviously by voluntarily giving up part of its sovereignty when joining the integrated organization; certain matters are handled jointly in Europe. But at the same time, this means that sovereignty must be limited on the lower level, as well; in other words, every single ethnic, national, etc., minority must be granted basic collective rights, a certain amount of autonomy which provides institutional guarantees for its own cultural-national existence. European norms will prescribe which pieces of clothing must be worn in order to enter the ballroom of Europe. One cannot enter in shirtsleeves, unwashed, or without shoes; one must dress up. I consider this important because in this case the acceptance of this new norm is, of course, in the interest of Hungary, because very many Hungarians live beyond our borders. This time, our point of view parallels the European interests. A nation that does not grant and does not respect collective human rights cannot enter Europe.

[Fodor] It is my personal opinion, but if human rights are respected in absolute terms, they include the rights of minorities, as well.

[Kosary] Indeed, many people share this view, and more important, the United Nations held this opinion when in view of certain power interests, especially those of the Soviets, they wanted to evade and avoid this question. They said that the individual human rights include everything. They do not include everything, not under any circumstances, and the greatest human catastrophes resulted from excluding collective minority rights and leaving them out of the peace treaties after World War II, because they thought that the individual human rights included everything. They do not. Fortunately, in the newer trends, those of the last one and a half decades, there is a more and more prominent tendency in international law and political science to reestablish a balance. Let us imagine that there is a large minority somewhere in Patagonia (Argentina—the editor). The members of this minority have a right to demand a university of their own. How can one imagine a university as an individual human right? Or is there anyone in eastern Central Europe who can finance a university? Thus, certain human rights and the right to the mother tongue, to the national culture—the right to communication, exchange of information, publication—cannot be solved on the level of the individual. In other words, if we do not guarantee collective rights, the individual is stripped of individual rights as well. We must achieve, the nations concerned in the matter ought to achieve—and, as I see it, there is a chance for this, because it is a global European interest—that in such cases the rights of individuals should be supplemented and supported by collective rights.

[Fodor] There is a discussion in Hungary between national liberalism and general liberalism. National liberalism accuses "general" liberals of trying to sweep the question of nationality, the problem of national self-determination, under the rug and even of calling it a decadent trend when in Yugoslavia the Slovenes and Croats try to achieve national self-determination, which

is not a viable option. In these terms, is there an adjective that goes with liberalism?

[Kosary] As every great historical, political, and intellectual trend, liberalism is multifaceted. Incidentally, we use the expression "national liberal" to denote not so much a present trend, but rather the liberals of eastern Central Europe in the last century. The reason is that at the time when they wanted to create a bourgeois society in place of the old feudal society fraught with feudal privileges—the time for this in Hungary was 1848—the prerequisites for dismantling privileges were there, but they were not there for creating an independent national state; for this reason, the demands for the latter were stronger. Whatever is lacking is always emphasized more. English and French liberalism also had a national character, but it was given more emphasis in Hungary and in the neighboring countries. This is why we call the reform movement a national liberal movement. Today the emphasis is different, but this is a question of party politics which will be analyzed 100 years from now. And as far as the endeavors to establish independent national states are concerned: Again, I start from the European development. In my opinion the fact that the Croatian nation, the Slovene nation, and the Slovak nation demand green light, or independence, is not a contradiction, but a continuation. It is the natural continuation of a trend of development that was already manifest after 1918. The issue is not that this is a peculiar kind of disintegration, rather that after the World War I, certain artificial states were created. These shoes turned out to be too tight for the people concerned, and they have the right to take the shoes off. This does not contrast with the basic formula. I am convinced that when the integrated Europe is created, no smaller or not-so-small nation can allow itself the luxury of sulking, of turning their backs and refusing to join. In their place I would gladly join instead. Thus, in order that this integration be created in Europe, the vest must be unbuttoned. Such a vest, or rather, straitjacket, is the former Yugoslavia.

[Fodor] As a historian, what do you expect from the World Congress of Hungarians?

[Kosary] I am not qualified to answer this question, because I am not familiar with the preparations, its structure, the entire configuration. And I will not participate in this....

[Fodor] Why not?

[Kosary] The only reason is that in my opinion if someone is asked to do something, this should be done in an adequate manner. In this case, it did not happen as it should have. I first participated very gladly, but then I was obliged to.... But this does not alter my personal respect and friendship to Sandor Csoori, or the fact that I greatly value the enterprise itself, and I hope very much that the congress will be successful. It is not an easy undertaking; there are several trends, and I hope that the Hungarians abroad will understand that they will have to make the endeavors easier for us that can be realized here. By this I mean what I said about collective rights,

the institutional guarantees for minority rights, and not changing the political borders.

Catarama Seeks Liberal Unity, Upbeat About Future

93BA0241A Bucharest TINERETUL LIBER in Romanian 10 Nov 92 p 2

[Interview with Viorel Catarama, leader of the New Liberal Party, by Mircea Florin Sandru; place and date not given: "Obviously, I Am Not a Poor Man"]

[Text] [Sandru] Mr. Catarama, people are saying you are a rich man. Is it true?

[Catarama] I have been asked this question so many times. What I can say now is that in January 1993 I will hold a press conference where I will make public the business figures of the firms I head, the profits obtained, and how rich I am. Then I will give you an exact answer and it will be the last time I discuss this subject. Until then I am not prepared to answer this question. Anyhow, I can tell you I am not poor, that is for sure.

[Sandru] Why did you go into business?

[Catarama] I was born in Romania, I studied here, and I have ties to this country. During the communist regime I had the opportunity to leave for good but I did not want to do this because I wanted to stay here where I had family and friends. At the same time my background as an economist specializing in international trade problems gave me the chance to get involved in business deals even during the past regime. So it was absolutely normal to have business dealings now. I am optimistic about the future of business in Romania. The fact that the country has available really fabulous resources, both material and human, which for the time being are not being sufficiently exploited, makes me have this faith. Romania certainly will have a European standard of economic development. Of course, being athletically inclined, I want our country to achieve spectacular progress and be in first place. For this reason, I am sparing no effort and I am trying to do everything that is in my power so that we, too, will pick up speed.

[Sandru] So do you think Romania will get out of the marked crisis it is in?

[Catarama] My optimism is not just theoretical. At the microeconomic level I myself proved that you can get out of a crisis. Like it or not, I would like to bring up an example that seems to have escaped you reporters. Recently at the Beius Furniture Factory we celebrated a year since the establishment of a new company resulting from a merger with the Elvila firm. Formerly, the Beius factory was mediocre and had all sorts of serious problems. Right now this factory may be considered Romania's number one furniture producer. It was reequipped and modernized; the production structure was changed and due to this policy it experienced a revival. The average salary last month was 41,000 lei; the company did not

resort to bank loans and currently investment is taking place consisting of three new factories, one of which is strictly for the production and marketing of furniture intended for the American market. That is how I proved at the microeconomic level that in an area where many enterprises are closing their doors, have unemployment, have special difficulties, loans and debts, the firm I am talking about is able to show some unique financial results. So the solution is to change the nature of ownership: Only in this way do the resources I was talking about become obvious. It is a big mistake to feel that Romania is at the threshold of an economic cataclysm and that we are facing insurmountable problems.

[Sandru] At one time you were high up in the Ministry of Trade and Tourism. Some of your decisions were vehemently contested by some politicians, by a number of managers and by the press. Do you think you were wrong?

[Catarama] I did absolutely nothing wrong. I am not sorry for any of the measures I took, especially since some of them have not been repealed even today. For example, I said that starting 1 April 1992 the introduction of electronic scales would be mandatory. When I promoted this measure I was thinking of consumers who do not have much money and are thus protected somewhat. It seems this measure will be generalized starting 1 January 1993.

[Sandru] You have not referred to the matter of hotel taxes.

[Catarama] Let us discuss this subject, too, because this was the biggest battle and it was here that I was attacked the most. You see, you cannot be high and mighty and maintain that you want a market economy and reform, that you want the principles of a market economy to be carried out, at the same time violating the basic law of supply and demand, requiring different taxes depending on your identity papers. If you want to reach the finish line in a 100-meter race thinking you can walk, you are going to lose. Nobody could understand how a foreigner could sleep in Romania for \$4 or \$5, losing sight of the fact that this is our level of development and, like it or not, that is what a hotel room in Romania costs under conditions, let us remember, where that commercial company was making a profit, not losing money. If this equivalency is not accepted and we continue to discriminate, violating the principles of a market economy, then we shall see a faster decay of the situation.

[Sandru] What made you enter political life?

[Catarama] Politics brought me only troubles because, like it or not, I became a public person. The press and mass media concentrated on me more than was necessary, I would say, and this was not very favorable for me. On the contrary, I confess that by being at the center of attention my life became much more agitated. Yet I want to be in politics because Romania needs it. It needs a class of politicians and a class of businessmen. But these do not exist in Romania at this time. These people are not created overnight. I cannot sit idly by and watch Romania's economy continue to deteriorate and not do

something. So, regarding economic matters, I proved that it could be done. I have to be involved in politics in order to contribute what I can to stopping the economic decline. I do not agree with the position where some people who say they are the opposition push others to lead Romania toward disaster and then point their fingers, saying they are impotent and incapable. On the contrary, I want to make an effective contribution to Romania's economic recovery together with the party I head. It is an aberration for me to think that mistakes have to be made so as to have someone to blame.

[Sandru] How do you explain the defeat of your formation in the parliamentary elections and what is your viewpoint on the idea of unifying the liberal movement?

[Catarama] It is debatable whether a party that appeared two months before the elections and obtained 6 percent of the electoral votes recorded a defeat or a victory. I do not think it is a question of defeat. Normally, in two months you cannot demonstrate specifically what you can do. Of course, it may be that we did not run the best election campaign, but the idea is that you can work and invest very much in a party, taking it up from zero and getting it into Parliament. Our goal is to form a powerful liberal party in Romania. The time is past for experiments, for vanity, and for giving priority to personal and base group interests. We want a powerful center party and for this to happen I am convinced we shall achieve unification of the liberal movement. I am the one who launched this idea last summer, if you recall, when nobody wanted to bring it up.

Activity, Plans of State Property Fund

93BA0274A Bucharest AZI in Romanian 24 Nov 92 p 4

[Interview with George Danielescu, member of the Administrative Council of the State Property Fund, by G.S.; place and date not given: "The State Property Fund, the State's Reach Into the Economy"]

[Text] [G.S.] Minister, as member of the Administrative Council of the State Property Fund [FPS], can you tell us a little about its activity?

[Danielescu] In accordance with Law No. 58, which stipulates a mechanism for the privatization of commercial companies, two public institutions of a commercial and financial nature have been established: the FPS, which will assume the administration of 70 percent of the shares issued by commercial companies, and Private Property Funds [FPP], which will assume the remaining 30 percent, to be exchanged at a subsequent stage into property certificates. The FPS has thus been created to fulfill three major objectives: (a) reduce state participation in the registered capital of commercial companies, operating according to law until they have been fully privatized; (b) administer and manage the companies in which the FPS has shares, so that the latter will obtain a profit for each share it holds; and lastly, (c) exploit the income obtained from privatization, as a result of selling part of the registered capital, by investing it in accordance with legal provisions.

[G.S.] You are speaking in future tense: the result will be, it will invest... What is FPS's current situation?

[Danielescu] I use the future tense because, although the Fund has started to function, it was put in place only during September-October as a functional institution—with the board of directors being named in July—and it has encountered the logistic problems of housing, personnel hiring, and so on. Little by little, all the obstacles have been removed and the working structure is in place for the Fund to fulfill the functions stipulated by law. Documents are being prepared to assume 70 percent of the registered capital of commercial companies, an arduous task considering their large number of five, six thousand. Things are happening gradually, and we can say that we have a current, daily activity in this first processing stage, at the end of which we will name the FPS representatives to shareholder general assemblies. Following this, these people will begin their activity as state representatives in commercial companies, analyzing the operations of each enterprise. We do not yet have our own revenues, since only two commercial companies have been privatized so far, and thus we cannot yet have an income utilization policy. Still in accordance with the law we will present to Parliament the 1993 privatization program, on which we are working with the support of foreign consultants.

[G.S.] You mention that two companies have been privatized. I believe that they are Ursus and Vranco. How do you view the results?

[Danielescu] The results have been good. Foreign and Romanian investors have participated in both companies, attracted by the good prospects of the companies as well as by the novelty of the process itself. We will see what their activity and their performance in a market economy will be along the way, and we will then draw some conclusions.

[G.S.] Small enterprise will benefit from the MEBO [expansion unknown] privatization program. What will be FPS's strategy for large enterprises?

[Danielescu] As a result of our collaboration with the National Privatization Agency, we have finalized a rapid privatization method for small enterprises through the sale of shares to employees, the MEBO procedure you mentioned. In some cases, this can be a total privatization solely with the participation of the employees, but there are cases in which other physical or legal entities from outside the enterprise will also be able to participate. Moreover, we want to also include in this process property certificates to be used for share purchases; we want to introduce them into the process since they

circulate on the market at values far below their real ones. We believe that this type of privatization will interest employees and improve their performance.

For large enterprises, the privatization process will be slow because these do not yet attract foreign investors interested in immediate investments. We will attempt to restructure these enterprises, to improve their efficiency so as to increase their revenues and attract investors. In these cases, the FPS will use the income obtained from privatization to rehabilitate these enterprises, without allowing these investments to increase the state's share of participation in their registered capital. An intermediate preparation stage is therefore needed for financial, technical, and commercial restructuring.

[G.S.] You said you were operational, but you have not yet passed beyond the first stage. When will you be able to have everything implemented, to privatize the first enterprise?

[Danielescu] We are operational and we already have requests from enterprises that want to privatize. We do not proceed with these requests because we have not finished the privatization methods that must move through several approval stages: the FPS Administrative Council, FPP, and a forthcoming government session. Only then can we effectively start the process. I think that this procedure will be approved by the end of this year, and in 1993 we will be able to rapidly privatize small enterprises, which means nearly 2000 commercial companies.

[G.S.] Economically, how will the existence of the FPS be perceived, after it moves beyond its first organization stage and assumes 70 percent of the registered capital?

[Danielescu] At this stage, when the structural reforms that we have precipitated have progressed, FPS will play a great role, representing the state in commercial companies with state capital, as part of a clear concept both from the standpoint of our economy's present operating mechanism, and from the legal framework standpoint. There have been extensive discussions in the press to the effect that commercial companies have slipped from the state's hold, that everyone is doing what he wants, that the state representatives are not doing their duty, and that the representatives's councils do not function. I believe that from now on, through the relations of FPS's representatives with commercial companies, working in a very clear legal framework, these deficiencies will be eliminated to produce efficient management of the state capital and a correct operation of the privatization process; the FPS will somewhat restructure the economy, not along administrative principles, of resource utilization, but along the principle of commercial and financial efficiency.

List, Biographies of Representatives Abroad

93BA0270A Zagreb NOVI VJESNIK in Serbo-Croatian
15, 16 Nov 92

[Article in two installments by Salih Zvizdic: "From the File of the Foreign Ministry of the Republic of Croatia"]

[15 Nov pp 24-25]

[Text]

Representatives of the Republic of Croatia to International Organizations

1. Permanent Mission of the Republic of Croatia at the United Nations, New York: Dr. Mario Nobile, permanent representative, ambassador in the Ministry of Foreign Affairs of the Republic of Croatia [RH].
2. Permanent Mission of the Republic of Croatia at the United Nations, Geneva: charge d'affaires Neven Madey in the absence of Dr. Zdenko Skrabalo, professor, the present RH foreign minister, the permanent representative and ambassador to Switzerland.
3. Permanent Mission of the Republic of Croatia at the United Nations, Vienna: Dr. Ivan Brnelic, representative, ambassador of the Republic of Croatia in Vienna.
4. Permanent Mission of the Republic of Croatia at the EC, Brussels: Dr. Ante Cicin-Sain, ambassador extraordinary and plenipotentiary of the Republic of Croatia at the EC, ambassador in the RH MIP [Ministry of Foreign Affairs].
5. Mission of the Republic of Croatia at the CSCE: Dr. Darko Bekic, permanent representative, ambassador in the RH MIP.
6. Peace Conference on the Former Yugoslavia, Brussels: Bozo Marendic, permanent representative, ambassador in the RH MIP.
7. Council of Europe, Strasbourg: Dr. Bozidar Gagro, permanent representative, ambassador in the RH MIP.

Brief Biographies of Ambassadors of the Republic of Croatia Abroad

R. IVAN BRNELIC, Ambassador to Austria

Born 1936 in Donje Jelenje, Rijeka Opcina. Graduate of the School of Economics of Zagreb University, master's degree from the University of Belgrade, and doctor's degree from the University of Rijeka. Between 1960 and 1986 he held management positions in the Rijeka enterprises Port and Storage Facility, Autopromet, and Rail Transport. Was mayor of Rijeka from 1984 to the end of 1985.

Has held a number of posts in various associations within the country and abroad. Has received several national and international decorations. From 1986 to

1990 he was chairman of the Committee for Maritime Affairs, Transportation, and Communications of the Republic of Croatia, and, from 1990 to 1991, ambassador of Yugoslavia to Austria. He was appointed ambassador of the Republic of Croatia to Austria on 30 January 1992, and that same year he became representative in the Permanent Mission of the Republic of Croatia at the United Nations in Vienna.

Dr. Ivan Brnelic is married, has a daughter, speaks German, English, and Italian.

DR. ANTE CICIN-SAIN, Ambassador at the EC, Brussels

Born 1936 in Split, married, father of three children. Speaks German, English, and Italian. Gets along in French and Russian, is familiar with the Slavic languages and Spanish. Attended high school in Split and Zagreb, graduated in economics and law in Turin and Heidelberg. Between 1964 and 1992 he was a staff specialist at the Economics Institute in Zagreb, and then a professor of international economics at the School of Economics of Zagreb University, director of the Bank of the Republic of Croatia, and adviser with the UNDP/UNCTAD. From 1990 to 1992 governor of the Central Bank of the Republic of Croatia.

BENARDO JURLINA, Ambassador to Bulgaria

Born 1945 in Zivogosce, Makarska Opcina. Graduate of the School of Economics of Zagreb University, where he also did postgraduate work. From 1972 to 1980 he worked in the foreign business sector of the Zagreb firms Monber, Pliva, and PIK [Agroindustrial Combine] Vrbovec. From 1980 to 1990 he was president of the trade unions of the city of Zagreb and president of the trade unions of Croatia. From April 1990 to the end of 1991 he was deputy prime minister and minister of labor, social welfare, and family in the Government of the Republic of Croatia.

Speaks and writes German, knows English. Married, father of one daughter.

ANDRIJA KOJAKOVIC, Ambassador to China

Born 1950 in Dubrovnik, where he completed elementary and secondary education. Graduated from the School of Economics of Zagreb University in 1973. That same year elected assistant professor in the Department of Economics of the School of Economics of Zagreb University for the regional branch in Dubrovnik. Master's degree in marketing at Zagreb University in 1977.

Beginning in 1974 he was employed in INA Petrokemija in Kutina, where he held management positions in the commercial sector. He did a particularly large amount of work with Sinochem of Beijing, concerning exports of fertilizer. At the end of 1987 he was transferred to the firm Inter-INA in London, where he was appointed director in 1990.

Married, has four children.

FRANE KRNIC, Ambassador to Chile

Born 1943 in Zadvarje, Omis Opcina, after graduating from high school in Split he took his degree in the School of Law of Zagreb University. He completed postgraduate studies in international law in 1968 at Nancy University in France. In 1971 accepted into the Yugoslav Diplomatic Service, where in 22 years of employment he progressed through all the levels from specialist to minister plenipotentiary.

As Yugoslav ambassador to the Republic of Chile, he began in October 1990 to promote and protect the interests of the Republic of Croatia. He is the first ambassador of the former SFRY who placed himself at the disposition of the Government of the Republic of Croatia with the entire staff of the embassy. In January 1992 President Tudjman appointed him Croatian ambassador to Chile. Speaks English, French, Spanish, and Italian. Divorced, father of two daughters.

DR. IVICA MASTRUKO, Professor, Ambassador to Italy

Born 1940 in Ugljan, Zadar Opcina, graduated from high school in Zadar in 1958. Graduated from the School of Philosophy in 1965, and in 1980 took his doctorate in Ljubljana. Worked from 1963 to 1965 as a journalist on NARODNI LIST in Zadar, and then worked until 1972 as a political official in the Central Committee of the League of Communists of Croatia. He was the chairman of the Executive Council of Zadar and president of the Zadar Opcina Assembly from 1974 to 1982 and a professor at the School of Philosophy of Zadar University from 1982 to 1989. In 1989, he was appointed ambassador of the SFRY to the Vatican.

Author of several specialized and scholarly writings, a considerable portion in the field of religion. Author of four books on the Catholic Church.

Married, spouse a teacher of English and French, they have two sons. Speaks English and Italian, gets by in German. Does not belong to any political party.

BRANKO SALAJ, Ambassador to Sweden

Born 1932 in Zagreb, where he began his schooling in the School of Law of Zagreb University, and continued in Strasbourg, and then in 1959 graduated in Stockholm, Sweden. He lived and worked in exile, mostly in Sweden, from 1951 to 1990, where he was active in the democratic movement of Croatia. Was a staff member of the journals NOVA HRVATSKA and PORUKA SLOBODNE HRVATSKE. Past president of the Association of Friends of Matica Hrvatska and Association of Croats in Sweden.

From December 1990 to April 1991 he held the post of senior adviser to the president of the republic for modernization of the central government, and later, until July 1991, was senior adviser in the Office of the President of

the Republic and head of the Croatian group for liaison with the MC [expansion unknown] Observer Mission. In 1991 appointed minister of information, and in 1992 appointed RH ambassador to France.

Author of several books and other writings in the field of economics, organization, and production, especially in the construction industry. His wife Marija worked as a Swedish television producer. They have three children.

DR. ZDRAVKO SANCEVIC, Ambassador to Bosnia-Herzegovina [B-H]

Born 1931 in the village Crkven, Teslic Opcina, Bosnia-Herzegovina. His father was an industrialist in the wood industry. Left Croatia in 1945 with his parents and in 1947 settled in Venezuela, where he graduated from high school, and in 1957 graduated from the petroleum school at the university. Worked for 39 years as an engineer and manager in the Venezuelan oil industry. Has presented some 30 specialized papers at various congresses and meetings. Speaks and writes English, Spanish, Italian, and Croatian.

In South and North America was active among our emigres. Decorated several times in Venezuela. Came to Croatia as a volunteer for units of the National Guard Corps, and before taking up the post of ambassador to B-H worked as a special adviser to the information minister of the RH Government.

Father of a family of eight grown children.

PROF. ZLATKO STOHULJAK, Ambassador to the Czech and Slovak Republics

Born 1933 in Zagreb, where he graduated from high school and in 1960 took his degree in the School of Philosophy of Zagreb University (ethnology and Croatian language), and in 1963 graduated from the Academy of Music in Zagreb. Spent time in Florence and Rome as an ethnologist on a private scholarship. Continued his study of the viola in 1967/68 at the Academy of Music in Prague, and from 1968 to the end of 1989 he was solo violist of the opera orchestra of the Croatian National Theater in Zagreb. Member of the Zagreb Philharmonic. Has appeared as solo violist at several music festivals and international events in Europe and the United States. Since 1971 has been a lecturer in the Academy of Music in Zagreb, and since 1987 has directed master courses in the viola at the Central Conservatory in Beijing and later in Germany and Poland. Has delivered a number of lectures in Europe and America as a well-known musician. Speaks Czech and gets by in German and Russian, knows English and Italian, and has some knowledge of all the Slavic languages.

Appointed ambassador of the Republic of Croatia to the Czech and Slovak Republics on 20 July 1992.

[16 Nov pp 8, 21]

[Text]

Brief Biographies of Ambassadors of the Republic of Croatia Abroad

JANKO VRANYCZANY-DOBRINOVIC, Ambassador to Belgium

Born 1920 in Bedekovcina, in the well-known Croatian family of Baron Ambros Vranyczany de Dobrinovic. Married to Marija Eva Berger, of Austrian descent. They have three children. Completed two years of law school in Zagreb and in 1945 fled to Italy to avoid prosecution, where he studied and graduated in journalism and law at the Lateran Academy in Rome.

After graduation from the university, he held various positions in the field of export and import in various firms in Belgium, France, Germany, and Italy. From 1969 to 1986 he worked abroad in the field of tourism, and from 1990 to 1992 he was minister of tourism of the Republic of Croatia. Member of numerous associations in the field of tourism in Europe. Has written several papers in the field of tourist economics and organization of the promotion of tourist marketing. Holds several decorations from European countries. In addition to the post of ambassador to Belgium, he is the charge d'affaires of the Embassy of the Republic of Croatia in the Grand Duchy of Luxembourg and the Kingdom of the Netherlands.

ALEKSANDAR SOLC, Ambassador to Hungary

Born 1935 in Veliki Gejovci in Transcarpathian Ukraine, where his father was serving after studies in Brno. His father was Ljudevit, a Croat born in Vinkovci, and his mother Etelka, nee Dudinazky, was Hungarian. In 1936 the family returned to Croatia, finished high school in 1953 in Rijeka, graduated from the School of Technology of Zagreb University in 1958, where in 1965 he took a doctorate in the field of chemistry. In 1959 employed as assistant professor in the School of Pharmacy, and from 1960 to 1970 was a researcher in the firm INA. In 1974 elected professor at the School of Construction Engineering of Zagreb University, and in 1988 he went to the School of Construction Engineering of Osijek University, where in October 1990 he became rector of the Josip Jurje Strossmayer University, the position he held until he took up his post as ambassador to Hungary.

Has published more than 50 scientific and specialized papers and participated in numerous national and international scientific conferences. Has been interested in linguistics. Uses Hungarian, English, Russian, and Polish, and has a passive knowledge of French. Married, father of two grown children and has three grandchildren.

DR. VINKO KANDZIJA, Ambassador to Morocco

Born 1944 in Bristivica, Trogir Opcina. Graduated from the secondary economics school in Drniš, graduated from the School of Economics of Ljubljana University, and took his doctorate in 1990 in Rijeka. Worked for a short time at the Economics School in Pula, and after that was appointed assistant professor in the Department of International Economic Relations of the School of Economics of Rijeka University. Has been employed since 1986 in the Bureau for Social Planning of Croatia as a specialized adviser for foreign economic relations.

DR. IVAN ILIC, Professor, Ambassador to Germany

Born 1934 in Prijeboj, Korenica Opcina. Graduated in 1956 from the School of Electrical Engineering of Zagreb University, then worked in industry until 1960. Later became assistant professor and docent in the School of Electrical Engineering in Zagreb, and in 1976 received a Humboldt Scholarship at the Institute in Stuttgart. In 1977 he was elected professor, and then dean of the School of Electrical Engineering. He has been visiting professor in Stuttgart several times. Has published 125 specialized papers. In 1991 he became adviser to the president of the republic for technological problems.

Married, father of four grown children. Speaks, reads, and writes German and Russian, gets by in English.

NIKO BEZMALINOVIC, Ambassador to the Russian Federation

Born 1939 in Selca on the island Brac. Graduated from high school in 1958 in Split. Graduated from the School of Economics of Zagreb University in 1964. Employed since 1965 in the firm Koteks, where he became general director in 1975. Through his work he became very familiar with foreign trade with the USSR, especially on the territory of what is now the Russian Federation. His wife is docent in the School of Law of Split University. They have three children.

DR. PETAR SARCEVIC, Ambassador to the United States

Born 1941 in Subotica, graduated from high school in Subotica and graduated in 1965 from the School of Law of Zagreb University. Did postgraduate work in 1968 in Amsterdam, and took his doctorate in Mainz in 1973. In 1987 became full professor at the School of Law of Zagreb University. From October 1983 to September 1988 was employed as a staff scholar in the Swiss Institute for Comparative Law in Lausanne. From 1986 to 1998 was dean of the School of Law at Rijeka University, and then, up until the end of February 1991 was rector of Rijeka University.

Author of several writings and participant in numerous specialized symposiums and congresses all over the world. Has published several books in the field of law.

CROATIA

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MILJENKO ZAGAR, Ambassador to Slovenia

Born 1938 in Gospic. Graduated from the classical high school in Zadar, and in 1963 graduated from the School of Theology of Zagreb University, where he also took a master's degree in theology and economics. Between 1963 and 1971 he was a teacher of music, philosophy, and theology at the Senior Postsecondary School of Theology of Zadar University, and then he worked in printing and publishing until 1981 in Rijeka and Zagreb. Between 1981 and 1989 he was director of the business community of Croatian publishers, then professor at the Matija Vlacic Illyrian Theological and Ecumenical School. Reviewer, editor, and translator of several books. From 1990 to 1992 business secretary of the HDZ [Croatian Democratic Community], and then chief secretary and coordinator of the HDZ for relations with foreign political parties. He left that post for the post of director of the publishing firm Skolska Knjiga, which he is leaving to be ambassador to Slovenia.

Speaks German, English, French, Italian, and Latin and ancient Greek. Widower, father of five children.

IVE LIVLJANIC, Ambassador to the Vatican

Born 1938 in Mrljani on the island Pasman. Attended the School of Philosophy from 1958 to 1959 and in 1961 interrupted his studies because of his arrest and confinement in the Sveti Grgur camp. Graduated from the School of Philosophy of Zadar University in 1964. Worked as a teacher of French and Italian in the classical high school of the archiepiscopate. In 1990 became president of the Zadar Opcina Assembly, the position he left to become ambassador to the Vatican. He has worked as translator for several Christian institutions in Zagreb and Zadar.

Speaks French and Italian and gets by in German and English. Married, father of two children.

VANJA KALOGJERA, Ambassador to the United Arab Emirates

Born 1936 on Korcula. Finished elementary school and the classical high school in Split, graduated from the School of Economics of Zagreb University, and took a master's degree in the School of Electrical Engineering of Zagreb University in the field "Economics and Engineering of Automation." Between 1962 and 1974 he worked in the construction firm Konstruktor in Split, including three years spent on a construction project in Sri Lanka. Between 1974 and 1990 he was employed in the Zagreb firm Ingra. In 1986 he was appointed honorary consul of the Republic of Finland in Zagreb. In April 1991 the Government of the Republic of Croatia nominated him for appointment as ambassador to the United Arab Emirates.

Married, father of one child.

DR. ZDENKO SKRABALO, Professor, RH Foreign Minister and Ambassador to the Swiss Confederation

Born 1929 in Sombor. Graduated from the School of Medicine of Zagreb University in 1953, specialized in internal medicine, took his doctorate in the same school in 1962. Since 1976 has been a professor in the School of Medicine, a specialist in diabetology. As a scholarship holder of the Humboldt Foundation he has worked in Germany on several occasions. Appointed director of the Bureau for Diabetes, Endocrinology, and Metabolic Diseases of the School of Medicine of Zagreb University, where he raised the level of research and science to the very top of achievements in world diabetology. Established postgraduate studies in diabetology at the School of Medicine in Zagreb at both the national and world levels, has several times been the organizer of various medical scientific symposiums and schools in the field of diabetology in the developing countries.

Member and officer of numerous national and international scientific and educational associations in the field of medicine. Has been a high official of the World Health Organization (WHO), has held various organizational posts in the field of combating and treating diabetes and accompanying diseases at the level of the former Yugoslavia and in the Health Ministry of the Republic of Croatia. Has written more than 100 scientific and specialized papers published within the country and abroad.

Appointed ambassador to the Swiss Federation and permanent representative of the Republic of Croatia at the United Nations in Geneva. Since 10 June 1992 has held the post of Croatian foreign minister, but his position as ambassador in Switzerland and Geneva is waiting for him. Married, father of one child. Speaks glish and German.

ONESIN CVITAN, Ambassador to Ukraine

Born 1939 in Tribunj near Sibenik. Graduated and took his doctorate in the School of Law at Split University, where he was appointed professor in the Department of Comparative Law. In 1990 was mayor of Split, and that same year spent a month in the position of foreign minister of the Republic of Croatia. In 1991 went to Rome as an official of the Foreign Ministry of the Republic of Croatia. Author of the book *Upravljanje gradom u razvoju* (*Management of a Developing City*).

DR. MARIO NOBILO, Permanent Representative of the Republic of Croatia at the United Nations in New York With the Status of Ambassador

Born 1952 on Korcula. Graduated from the School of Political Science of Zagreb University. From 1980 to 1990 staff scientist in the Institute for Developing Countries in Zagreb, and as a staff member of that institute has taken part in several symposiums and international meetings in Europe and elsewhere in the world. Cofounder of the Croatian Council of the European Movement, where from 1990 to 1992 he held the post of vice president. After the first election in Croatia he was press secretary in the Office of the President of the Republic, and from 1991 to 1992

foreign policy adviser of the president of the republic. In that position he took part in all the negotiations related to the disintegration of Yugoslavia. On 12 August 1992 he was appointed permanent representative of the Mission of the Republic of Croatia at the United Nations in New York with the status of ambassador.

DR. ZELJKO BUJAS, Professor, Ambassador to Great Britain and Northern Ireland

Born 1928 on Pag, graduated from high school in 1946 in Zagreb, graduated from the School of Philosophy of

Zagreb University in 1952, where he later became an assistant professor and then docent and full professor in the Department for English Language and Literature. He has published a sizable number of writings in several fields. He has been interested in computerization of linguistic research in the lexical analysis of the English and Croatian languages, and then he has studied differences between British and American English and certain linguistic aspects of American civilization. He is a member of the Croatian Academy of Sciences. Married, no children.

VMRO-DPMNE Leader Georgievski Interviewed

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[Interview with Ljupco Georgievski, leader of the VMRO-DPMNE, by Vera V. Adzigogova and Branko Geroski; place and date not given: "I Am Not an Enemy of the State!"]

[Text] *What surprised me is having my name linked to what symbolizes the greatest evil in Macedonia. Had I been greedy for power, to this day I would have remained vice president and would have been sitting in an office with enjoyable perquisites. Those who accused me of being a Bulgarophile and of having connections within the Bulgarian Intelligence Service are today managing mixed companies in Sofia and are doing very well.*

Our discussion with Ljupco Georgievski, the leader of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity], did not meet his expectations, as you are about to read. Whether this is an accurate judgment to be shared by the readers, let them judge for themselves. In any case, we started with the premise that the speculations whispered in the coffeeshops are nonetheless a structural part of the image of this political personality.

[VECEER] Ljupco Georgievski may soon move from the spectator's gallery to the benches of the representatives. We are interested in the reason for which, after you were defeated in the first parliamentary elections, and precisely in Strumica, you once again chose that city as your electoral base?

[Georgievski] Altogether, five subsequent elections for representatives have been held in the Republic of Macedonia after the first elections. So far, however, not one of these elections made me want to be a candidate and once again to try to become a member of parliament. However, the moment Strumica became an electoral district I acquired the wish to run in that city. Perhaps one of the greatest challenges was precisely the fact that it was there that I was defeated in the first elections. I do not wish to comment whether this was an honest or dishonest defeat because it was, nonetheless, a defeat. To me that was a great challenge. For my own sake and for the sake of the public at large I wanted to be sure that the rating of a party and of a politician has dropped as much as, let us say, some polls indicated. Otherwise, let me add that, unfortunately, those elections proved once again that it is very difficult in Macedonia to have free democratic elections for the very reason that I witnessed in Strumica, where within a single week the city was visited by almost half the Macedonian Government. At one point, the only person missing was the prime minister, for the government to meet in that city. The very fact that there were five policemen per voting booth and as many policemen in civilian clothes, who were deliberately walking around with their coats open so that the people could see their guns, offers adequate proof of the conditions under which democratic elections are held in the

Republic of Macedonia. Let us add to this that the counting will take at least another three months.

[VECEER] Why, in your view, is this taking place?

[Georgievski] They probably felt that with the defeat of the SDSM [Social Democratic Alliance of Macedonia] in one electoral district in eastern Macedonia a myth related to the SDSM is destroyed for, as we know, at the first elections the SDSM won virtually all of eastern Macedonia. Unquestionably, this was first. Second, I can say confidently, was that my personality was very disturbing to some state leaders who did everything possible to prevent my election to the parliament.

This Is Not Only Propaganda

[VECEER] Why did it bother them? What is it in you that urged them to do everything possible, judging by what you are saying, to prevent you from becoming a member of the parliament?

[Georgievski] One leaflet distributed by the SDSM in the electoral campaign made an impression upon me. It contained only two statements, which were very clear: If you do not want Ljupco Georgievski to win, vote for our candidate. This flier indeed contains a fascizoid meaning, a fascizoid subtext. What especially surprised me was that my name was related to something that symbolizes the worst evil in Macedonia, a symbol of an enemy of the state. This was the driving idea of the witchhunt. I still fail to understand the reason for this fear shown by our political opponents. They are probably the ones who are most familiar with the reason.

[VECEER] Could it be that the decisive reason was the way your party politically exploited the "Kuklis affair"?

[Georgievski] Look here, the question is the following: What does political marketing mean? It is a fact that the VMRO-DPMNE was the first to raise the question of Kuklis. However, another question arises: Why is it that the other 20 or so parties in Macedonia, which also had the opportunity to raise the Kuklis question, did not do so? Obviously, therefore, it is not a question of propaganda alone. The second fact: When we raised the Kuklis question we could not even conceive that it was precisely in Strumica that there would be a vacant seat, so that we could prepare the terrain. The reason lies elsewhere. The difference in the number of ballots in the first round in the village of Kuklis itself matched the difference in Strumica. One could say that raising the question of Kuklis had a minimal impact.

I Am Not Greedy for Power

[VECEER] Unless we are mistaken, this is your third attempt at becoming part of the power structure. You failed in the first parliamentary elections. Then, for six months, if we may say so, you roamed around the

Assembly as vice president of the Republic and eventually resigned. Now, finally, it appears that you will succeed. Why do you insist on being "inside" at all costs? Are you greedy for power?

[Georgievski] I am surprised by this question, which I consider inappropriate. The only accurate part of your statement is that I tried to become part of the government in the first elections. You mentioned examples, so let me give you another one. Was it what you described very impudently as greed for power? I was vice president for eight months. I had all the privileges while roaming, as you call it, in the Assembly, that any official of the Macedonian state would have enjoyed. If power was my main objective, I could have perfectly well remained in that same office and continued to benefit from all the advantages I had. I would have kept my position to this day. I not only scorned what I had but even resigned. And, if I may say so, for a young man of 26 this was a guarantee for a brilliant career had he agreed to be subservient to the president of the Republic and to those surrounding him. Let me simply remind you that my resignation at that time was a matter of principle. Compare this to the fact that at that time there were about 10 strikes daily in Macedonia in the course of which the workers demanded the resignation of their directors and that, to this day, you have not heard that even a single one of these directors has resigned, or in the past 45 years of any communist official resigning as a matter of principle. It is only in that context that you could speak of any kind of greed on my part. The second example that I shall give you and which you did not mention is that when the first government fell, as chairman of the biggest party in parliament, I was entrusted with the mandate to form a new government. I can say that I had literally all possibilities as chairman of the SDSM to form a coalition with the PDP-NDP [Democratic Prosperity Party-National Prosperity Party]. I guarantee you that if we had formed such a coalition the PDP-NDP would have had far fewer than five minister portfolios.

[VECER] Let us discuss the eight-month period that we described as roaming in the Assembly. The reason we described it thus is that many of your supporters believe that these eight months were lost in terms of your career. Did you feel that you had become a parlor politician?

[Georgievski] I can tell you that during those eight months I did everything possible to implement my objectives. However, you know that during those eight months no one in Macedonia wanted to think about the issues that I repeatedly raised in the parliament. This was the period of the breakdown of the former Yugoslavia. I was very sorry to see that during those eight months I kept saying every day to my then colleagues that Yugoslavia was breaking up and no one wanted to see such a collapse. The entire Macedonian policy at that time was concentrated in a single direction: how to save Yugoslavia and how to assist Serbia and its policies. You must remember the day I resigned, in December. At that time, Macedonia had still not requested international

recognition. One month after my resignation, on 15 January, Slovenia and Croatia were recognized as independent states. Unfortunately, at that time Macedonia was still too shy to demand international recognition. If you look at this from the point of view that my statements and requirements and my views fell on deaf ears and that, from that point of view my political activities were a waste of time, I will absolutely agree with you. On the other hand, my political skills certainly made a certain contribution that did not involve accepting the power of a bureaucracy in a given country or the power of inertia of a country. Naturally, I gained an idea of the true wishes and desires of the state leaders who, both then and now, are leading the Republic.

On Eavesdropping and the KOS [Counterintelligence Service]

[VECER] Immediately before the bielections the hottest issue was the affair of tapping the telephone in the VMRO-DPMNE headquarters. Somehow ever since the chairman of the parliamentary commission, your assemblyman Stojkov, examined the SDB [State Security Service] documentation, the entire matter was dropped from the agenda. It was being said in the halls of the Assembly that these documents contained a great deal of unpleasant information about your party's leadership. Are you concerned that this may become public knowledge?

[Georgievski] I do not know why you say that after the documents were looked over by the parliamentary commission matters settled down. On the contrary, I believe that, from the very beginning and to this day, the VMRO-DPMNE has insisted on the study of all the elements related to this matter. The fact that to this day there have been no results from the study of that commission is not in the least a problem of the commission. The problem lies in the fact that for quite some time, for several months, the release of information was blocked by the SDB.

[VECER] If we are not mistaken, everything has already been examined.

[Georgievski] As far as the documents are concerned, all of them can be made public. You have already seen one of them—the video cassette. The second cassette is a telefax that we received from Australia, from our section. Then there is a discussion with the Foreign VMRO-DPMNE Committee, in Berlin, and I believe that the third document deals with the tapping of several telephone conversations with some journalists who, on that precise day, had tried to meet with me or with other VMRO-DPMNE representatives. Therefore, on our side there are no problems whatsoever concerning the publication of such documents. What I am concerned with, however, is that today, in a democratic country, we have reached the type of political sense that we may consider, within an obvious context, whether such documents are detrimental to our party. If they are detrimental, the fact that there was eavesdropping is a good thing. Meanwhile, during the three or four months of investigation of this case, no single information medium tried to learn the truth of the very act

of eavesdropping in the offices of the VMRO-DPMNE, not to mention the fact that all of us saw on MTV [Macedonian Television] the video cassette that clearly shows that the SDB is setting up a paramilitary organization within the Republic of Macedonia. During all those months we did not see even a single text or commentary in which the Macedonian independent press had raised its voice against this kind of torture and this method of governing the state. An awareness that this is something that is worse than the Watergate affair in America, which was started and carried out to its completion by the journalists, makes useless any comparison.

[VECER] You have seen those tapes. Do you appear in them personally?

[Georgievski] Are you asking whether any one of my telephone conversations has been taped? Yes, one of them was. One, if I remember, was with Boris Zmejkovski, the general secretary, and several conversations held by the technical secretary.

[VECER] With whom did you talk? Are these conversations compromising?

[Georgievski] I told you what it was all about.

[VECER] There is a great deal of talk about the connections between the VMRO-DPMNE and of you, personally, with Bulgaria. Have you ever been in contact with or discussed with individuals who are somehow linked to foreign countries? The one most frequently mentioned is the Bulgarian Intelligence Service?

[Georgievski] I can freely say that all those people who, until recently, were accusing me of some kind of ties with some counterintelligence services, especially those of Bulgaria, and of being a Bulgarophile, as they described it, own today mixed companies in Sofia and are engaged in very profitable commerce with Bulgaria. So far, neither I nor any one of the leaders of our party could boast of having shown any profit from the Republic of Bulgaria. I can freely answer the direct question you asked, that so far I have never spoken with any representative of the kind you named. That is the second thing I can tell you. The third is perhaps the best proof: At this moment you are in the premises of the biggest party in parliament, the VMRO-DPMNE, and, furthermore, a party that is being accused of receiving God-knows-what funds from abroad. You are free to describe our premises and our financial possibilities to your readers. Therefore, it is obvious that a party that is cooperating with any foreign service would not be willing to work under our conditions.

[VECER] In connection with the so-called KOS affair reported in the press (some of this network has been exposed while another part has not) it is being said that many people from your party as well had ties with KOS. How do you explain this? Would you be surprised if, eventually, your name turns out included in that list?

[Georgievski] I have heard about some things. I can tell you that the material on the affair published in PULS

was supplied by a member of the SDB and it is more than certain that it was generated by the SDB. This information is several months old, yet it was made public only at this time with a view to compromising some personalities. What I find most unclear is why is it that precisely now a photograph has been published showing the deceased minister Mijalkov together with the chiefs of the KOS, but not another photograph of those same people including, for instance, the current deputy secretary of the Macedonian SDB. Were some VMRO-DPMNE people involved? I cannot say anything with certainty. If such people were involved I do not know why such collaborators were not exposed, why were neither our party nor the public informed, and why were no proper steps taken? Our party would have acted cautiously until such members of ours had been expelled. This applies to an even greater extent to party officials who had cooperated not only with the SDB but even with the Bulgarian Intelligence Service or the Greek service about which, of late, we have heard that it has very dangerously infiltrated the Macedonian state. As to your mention of my name being found on some kind of KOS list, you can rest assured that it would be difficult to find my name not only on this but also on any other list.

Worrisome "Cases"

[VECER] Of late a great deal is being said within your party circles concerning mysterious assassinations of people belonging to the VMRO-DPMNE. There is speculation about some kind of liquidations. What is this? Is it paranoia or a real menace?

[Georgievski] The very fact that so far we have not reacted officially, in public, is the best answer that this has never been a case of paranoia. Nor is it something that we believe has been organized and that it is happening precisely to our party. The very fact that in the past few months there have been a number of traffic accidents, suicides, and unfortunate events, as was the case, let us say, in Kumanovo and in a village near Skopje, followed by the suicide of an editor of GLAS NA VMRO-DPMNE whose father-in-law had asked to explain the role played by the SDB in the Republic of Macedonia—all of this concerned and worried us. We have known that what was described as the operations of the SDB in a communist state has never ceased to function in Macedonia. We have still not heard of any major changes in that country concerning the security service. We know that presently the SDB may be the same organization that acted as state security for a single party for the past 47 years. In the past, that applied to the communists in Macedonia. Today this applies to their heirs.

[VECER] Is your conclusion based on the cases you mentioned?

[Georgievski] As well as on the tapping and surveillance of our members, and the establishment of paramilitary organizations. Let us qualify your last question as pure insinuation.

[VECER] Therefore, you are not specifically charging that these people have been liquidated?

[Georgievski] No. I told you that we have not reacted officially. If nothing else, I believe that the VMRO-DPMNE is distinguished by the fact that it stands behind what it proclaims officially, and I can tell you that to this day there has not been a case in which we would say one thing and then something messy would emerge.

Who Needs a Terrorist Image?

[VECER] Are you familiar with the fact that part of the world public considers the VMRO-DPMNE a party leaning toward terrorism? Who should be blamed for giving you such an image?

[Georgievski] Well, I do not know where in the world are there people who think that way. Yet if you look at the positions held by the party in international policy I can freely tell you that there is no party in Macedonia that has such strong international positions in a great variety of countries throughout the world, relations maintained on a high level. This can be interpreted quite easily. Let me mention again the cassette that showed who is setting up paramilitary organizations involving members of the VMRO-DPMNE. Hence the answer: Who needs to have the image of a terrorist in the Republic? Such an image was started at one point with the death sentence passed by Kole Veljanovskiy from Okrid on Klime Mitrevski. This led to the familiar accusation that the VMRO-DPMNE was issuing death sentences. Eventually, Kole Veljanovskiy organized defense committees under SDB jurisdiction. As his reward, Klime Mitrevski was made special envoy of Mr. Kiro Gligorov, assigned to conveying some kind of library to Australia. Therefore, both men who created this image of the VMRO-DPMNE as being terrorist, have been quite well rewarded by the state.

[VECER] Are you not responsible to a certain extent, for you were involved in clarifying the hypothesis of the defense committees that, nonetheless, acted in your name?

[Georgievski] We informed the Macedonian public the very moment their names became known. Subsequently, on several occasions, we repeated this information. Therefore, no speculation on this matter is possible.

Hypnotic Space

[VECER] There is economic devastation and there are hundreds of spiritual and physical invalids. In submitting your resignation as vice president, you prognosticated what will happen in our country. Even your worst enemies recognize that you are a good prognosticator. What is the story? Is it a matter of a good assessment or eventual information obtained from the outside, or else perhaps some kind of clairvoyance, as the popular Mitko would say?

[Georgievski] It is very difficult to answer this question. However, even the most bitter and worst enemy of our party is bound to acknowledge that it took only a few

months for the predictions made by the VMRO-DPMNE to come true. What was the reason for this? It was an evaluation that, unfortunately, was impossible by uncritically believing the Macedonian public media. The most characteristic time was the period between 15 January and 15 June regarding the recognition of Slovenia and Croatia prior to the Lisbon Declaration. For six months, the public media reported to the Macedonian public that Macedonia was about to be recognized next Thursday, or next Monday, or next Wednesday. The public information media literally hypnotized Macedonia. Furthermore, every evening they were telling Macedonia that the entire world was inspired by the wise policy of our president. However, the close interpretation of such comments gave grounds for raising some questions and all that one had to do was to put all such questions together and reach the conclusion that the events which actually happened in Macedonia had to happen. As to the assessment, we must point out that it was noted for a dose of courage which, unfortunately, was lacking in the other parties.

[VECER] Telling what was what?

[Georgievski] Yes. Consider what is now the most characteristic example. We are witnessing the way that Macedonia is sliding toward the precipice at the speed of a car running at 250 km per hour. We are all witnessing this and are simply waiting for us to plunge into the abyss at full speed, from which it may take us decades to recover. The entire Macedonian public, the entire Macedonian intelligentsia, is simply asleep. And all of us believe what we are being told every evening on Macedonian television that our president is the wisest of presidents and we still believe that all European countries feel inspired by our wise policy. Meanwhile, deep within ourselves we know that such is not the case and that we are deluding ourselves and expect to be deluded.

[VECER] Currently the state leadership is acting on the basis of the assessment that after Edinburgh things will change. We heard that we will be given a Christmas gift. What is your view, what will happen?

[Georgievski] I am always afraid that after Edinburgh what will happen to us will be what happened after Lisbon. We shall be waiting for some kind of new summit six months down the line and, should it be successful, it would lead to the recognition of Macedonia. At this point, however, we reach a paradox in our international policy. The question is why do we need such recognition? Is it merely for the sake of obtaining a declaration that Macedonia has been recognized or, as a result, establishing diplomatic relations with those countries that will recognize us, followed by cultural, political, and economic relations? The purpose of any political recognition is the latter. Now that Macedonia has been recognized by eight or nine countries, why is it that we have not established such relations with any one of them?

[VECER] Do you think that all that the Macedonian leadership needs is such a declaration?

[Georgievski] Obviously.

System Rather Than Naivete

[VECER] What would be the benefit from this?

[Georgievski] The benefit would be the holding of a demonstration and perhaps even some kind of false rating. It is obvious that it is not a question of any real establishment of relations with Macedonia as an international subject, which, in my view, is basic. Why does Macedonia not have its representative in the United Nations? Why is it blocking the opening of all relations with countries that have already recognized us? Why have we not sent political representatives to Germany, to London, Rome, or Washington? Is this a question of naivete, ineptness, or a deliberate intention? Unfortunately, we have repeatedly said that too many things have happened to Macedonia for us to believe that this was accidental. What is happening is too systematic for us to believe that all of this is not being done deliberately and for a purpose.

[VECER] What is the purpose? What is the ultimate position?

[Georgievski] The ultimate position based on all of this is the unclear awareness concerning Macedonian independence. This issue has still not been cleared in Macedonia, not to mention among its governmental leadership. It is very clear to me that it is difficult to ask a person who spent 45 years of his life in Belgrade all of a sudden to part with his past and adopt an entirely new concept of an independent Macedonia. The question that appears is why, with such a policy, is he torturing the entire Macedonian people?

[VECER] Even if we were to agree that he is inexperienced and unlucky in his policies, do you think that he may be bluffing?

[Georgievski] Look, I am speaking of global characteristics. I do not wish to enter into details, and the global characteristics are precisely what I said they are. We could find a hundred examples at any time, all of them confirming this fact.

[VECER] Nonetheless, could you interpret his reasons?

[Georgievski] No, I do not want to get into this. I am speaking of global relations as we are witnessing them every single day.

[VECER] You have repeatedly said that the entire communist nomenclature must be replaced. Since it is clear that you cannot rule alone, taking into consideration the ratio of forces, from a current perspective what type of "dream team" would you have while governing the state?

[Georgievski] I can tell you that it is too early for drawing up any kind of list for any kind of party, including the VMRO-DPMNE. If you are alluding at this point to the

problem of cadres or the lack of VMRO-DPMNE cadres, I can tell you that from that aspect the VMRO-DPMNE has been one of the most harshly criticized parties. However, when our main political opponent, the SDSM, was given the opportunity to form a government, it became clear that it was precisely it that was most lacking in cadres. This is confirmed by the decisions made by the government.

[VECER] In conclusion, how about a few personal questions?

[Georgievski] All of these were personal questions. Your concluding questions would not surprise me.

[VECER] What is most noteworthy about you, for you are a young person, is your image. The people have remarked that you step softly, as though walking on eggs. There is an aura on your face. We do not know whether you will consider this an ironical remark but you look or perhaps you would like to look like some kind of present-day Jesus Christ. Are you working on encouraging such an image of yourself?

[Georgievski] I shall be polite enough not to answer this question.

[VECER] You are unquestionably one of the few political leaders with a strong charisma. You probably would not be insulted if we ask you whether you are aware of this, and whether you are encouraging it?

[Georgievski] I believe much more in surveys and I read them eagerly. All of them are a challenge to me. They indicate to me that I must work even harder and get rid of this negative feature, this negative charisma. Therefore, it is a question of an evil charisma, and I hope that all my efforts to remove this evil charisma will be successful.

Data on Karic Bank Holdings, Move to Canada

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[Article originally published in TORONTO STAR, translated into Serbo-Croatian by Djordje Dimitrijevic: "Departure of Karics: Serb Billionaires Move to Canada"]

[Text] Canada's TORONTO STAR writes extensively about the intention of the Karic brothers to move, together with their capital, to Canada for good. A correspondent for the Toronto newspaper, Bill Shearer, quotes Bogoljub Karic directly, whom he interviewed in Belgrade. More than a newspaper report, this is the saga of the Karics.

The Karic brothers of Serbia, who 20 years ago set up a small factory in their parents' garage and developed it into a diversified billion-dollar empire, are planning to emigrate to Canada.

Encumbered by international sanctions, by a government that remains communist in every regard except in name, and by passports that meet with increasingly derisive smiles, the brothers are looking at Canada as a country of real opportunity.

"We must find some permanent location for our headquarters," said the 38-year-old company president, Bogoljub Karic in an interview conducted with him last week (the TORONTO STAR of 16 November 1992—Ed.) at his office in Belgrade.

"We are thinking about Canada, because that is an open and democratic society...a suitable location."

Karic estimates that his family holdings are worth more than \$4 billion.

The holdings include everything from textile factories in China and India to banks in the former Soviet Union. It is, he says, "the largest and most successful company in the entire former East Bloc."

He says that they have already bought up commercial property in Toronto, and that the four brothers and sisters who run the company will now begin looking for houses.

Their move to Canada has to be one of the worst consequences for a country that is already in an extraordinary maelstrom, but also an eloquent sign of the extent to which anxiety and frustration are prevalent in this country.

The United Nations imposed sanctions on Serbia and Montenegro, the two republics that are all that is left of Yugoslavia, on 30 May of this year in an attempt to halt the massacre in Bosnia-Hercegovina, where Serbs have captured around 75 percent of the territory.

Karic, a proud Serb born in Pec, Kosovo, the historic heart of Serbia whose majority population is now Albanian, calls the conflict in Bosnia "a very stupid war in which people are being killed for no reason."

"About 5 percent of the population is terrorizing the other 95 percent...and the people who are suffering are the innocent ones."

Karic says that he has stayed out of the wars in Croatia and Bosnia and that his support is limited to humanitarian campaigns, supplying the Red Cross with clothing and food. He sees the international isolation of Serbia and the sanctions as part of a conspiracy by Western leaders "to destroy Serbia." And this, he says, has been fueled by the Western media.

He says that acquiring Canadian citizenship would bring with it obvious business advantages. Canada would provide a favorable atmosphere for unhampered business, "an atmosphere in which I would have the opportunity to create what I want."

An entry visa alone would not be enough, however. "An entry visa does not mean much if we cannot obtain citizenship," he says, adding that he has been informed that he would have to wait three years for a Canadian passport.

Karic has a meeting with authorities from the Canadian consul's office in the United States next 25 January.

Last month, Karic bought 20 Lincoln Continental limousines from a dealer in Toronto for his operations in

London, Cyprus, Moscow, and elsewhere. "None of them were set aside for Belgrade. Nor could they have gotten in (because of the sanctions)."

In his office full of hand-crafted Baroque-style furniture imported from Venice, Karic inserts humor into the story that sounds like an anomaly in Eastern and Central Europe.

He and his three brothers began accumulating their wealth under the very nose of Marshall Tito and the communist government. Today he is a man with a pronounced taste for Rolex watches and Italian suits. He and his wife Milanka regularly visit their estate outside London to go horseback riding and see their children who are enrolled in British schools.

Each of the four brothers has four houses, in countries with which the company does business. "My mother always told me never to rent when I can buy," he says.

Although the youngest of the four, he is nevertheless the boss. He got his degree in economics and is completely devoted to healthy living: He does not smoke or drink coffee, and is a convinced advocate of regular physical exercise.

The boys from Pec have come a long way from the days when the Karic Brothers were a young musical quartet playing at Yugoslav hotels in order to add a little to their earnings. "I come from a very poor family," he says. "At age six I began selling soft drinks on the street."

The Karic family has run a store since 1763, as indicated in their coat of arms. In 1972, they converted a Pec garage into a small factory where they manufactured traffic signs and built up a rather successful business.

During the lean years, Bogoljub and his brothers Sreten, Dragomir, and Zoran realized that their survival depended on investing in the production of spare parts for farm machines—which until then could only be bought abroad for hard currency.

During the first years, when they attracted the attention of the local press, they usually called themselves "Tito's children" so as not to anger the communist regime.

In 1981, they received a \$500,000 loan from the Development Bank in Washington to build a new factory—and paid it off over the next two years.

Karic had to maintain a reasonable dialogue with the government, but he never concealed his personal desire and the desire of his family to create a strong capitalist economy. "They know whose side we are on," he says.

Whenever he and his brothers request a meeting with some high-ranking government official, they get it.

Their initial success served as a springboard for investments in textiles, construction, the food industry, and banking.

Their international investments are spread throughout Europe, the Commonwealth of Independent States, India, and China.

Today the Karic brothers have banks in Kazakhstan, Uzbekistan, Ukraine, and other countries.

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